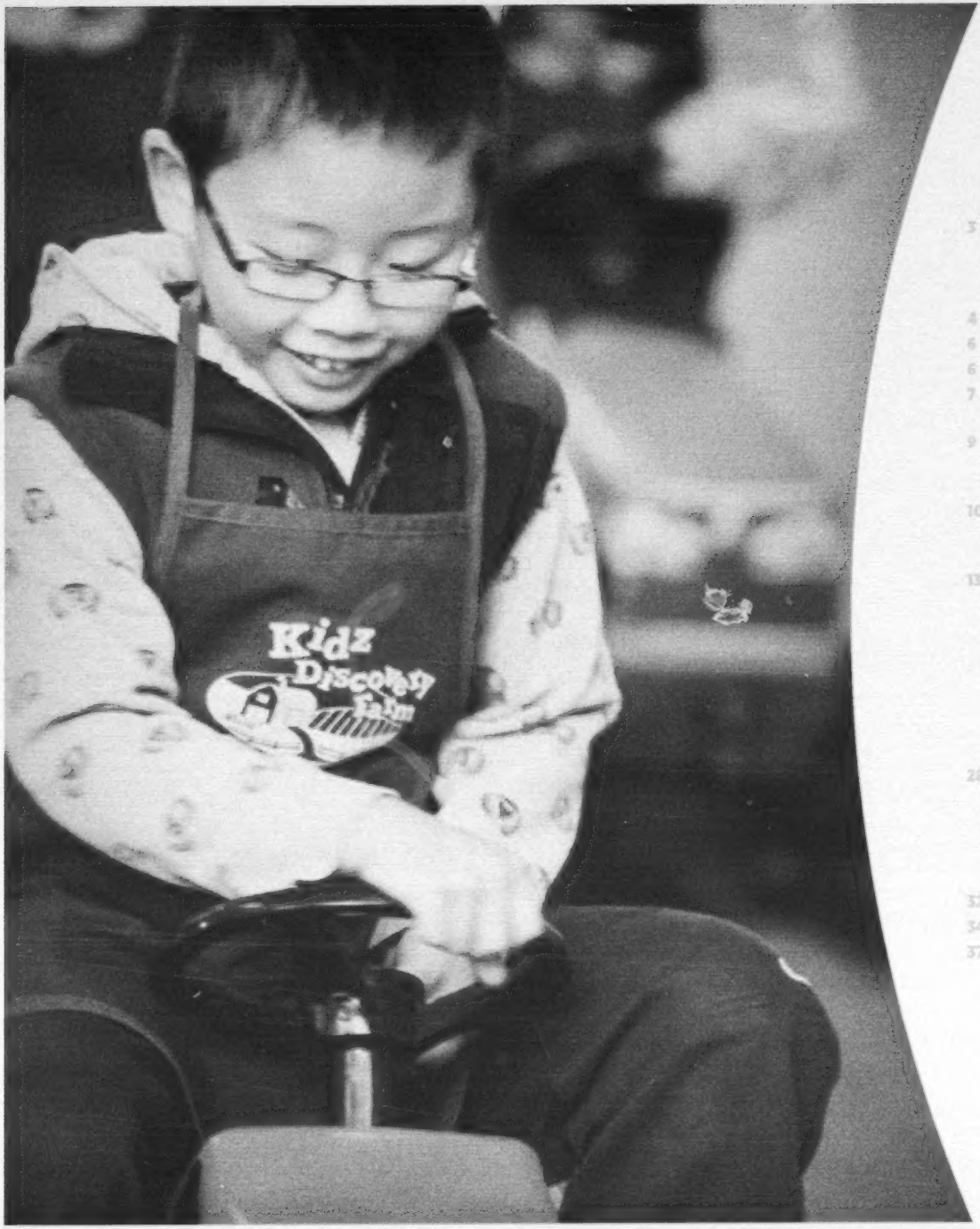
PACIFIC
NATIONAL
EXHIBITION
ANNUAL REPORT
2012



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MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

This past year, the organization's 102nd year of operation, was filled with celebration and success, as well as some challenges. Many exciting new business development initiatives were introduced, and the organization faced some uncommon financial hurdles. This annual report will share the year's full and colourful story, but to start, we would like to take this opportunity to thank the hard-working PNE staff team and Board of Directors for their ongoing support and contributions to the organization throughout the year. We recognize that, without all of you, this organization would not be as vibrant or successful as it is.

As an organization that has a number of weather-dependent activity streams, the PNE believes it is critical to continually diversify, and fiscal 2012 was busy with the implementation of a range of new business development ideas. Some of these initiatives were both operationally and financially successful; others were operational successes but did not achieve financial targets. The launch of a new internal ticketing system, investments into increased tradeshow and consumer show business, and investments into the PNE's position in the electronic music landscape all reflected positively on finances. In an effort to broaden its range of music events, the PNE launched a first-of-its-kind three-day teen music festival in July; the Summer Playland Festival (SPF) captivated audiences even if it did not achieve ticket sales targets. As well, significant investments were made into the purchase of a new portable stage and the build-out of the PNE Amphitheatre in order to expand that venue's year-round concert business. Unfortunately, eight weeks of rain during the May and June Playland season, unprecedented rainfall levels during Fright Nights and a number of industry trends affected the overall financial performance of Playland, Fright Nights, the SPF music festival and the success of the PNE Amphitheatre as a year-round concert venue in its first year.

Normally, the wide range of events on site balance out more evenly than they did in 2012 from both a weather and financial perspective. With over 100 years of experience on-site, the PNE understands this and is quick to adapt. Unfortunately, the unusual challenges of 2012 meant that the organization will report a loss of $1.88 million for the 2012 fiscal year. We do not expect this to continue, and planning for a successful 2013 is underway. It should be noted that, even with variability each year, the PNE has been able to produce an operating surplus in a total of eight years, from 2002 to 2012. The sum of those years demonstrates overall success, with the PNE creating net operating surpluses of $9.36 million versus losses of $5.29 million over the same period. This delivers an overall positive impact of $4.07 million invested back into the site and facilities since 2002 by the PNE, over and above the $3 million budgeted annually for park and facility maintenance as part of regular operations.

Despite a year with a series of challenges, the future remains very bright for the PNE, and the organization is committed to evaluating all aspects of the business. Modifications to the Fair, ongoing investments into Playland and the continued execution of business development ideas will serve to provide a strong base for ongoing diversification and success. The PNE will continue to embrace working with the City of Vancouver on the implementation of the Hastings Park Master Plan, on our commitment to environmental sustainability and on our legacy of providing world-class family entertainment that encourages use of a vibrant urban public park. We look forward to seeing you at a PNE event in 2013!

Raymond Louie
Chair, Board of Directors

Michael McDaniel
President and
Chief Executive Officer

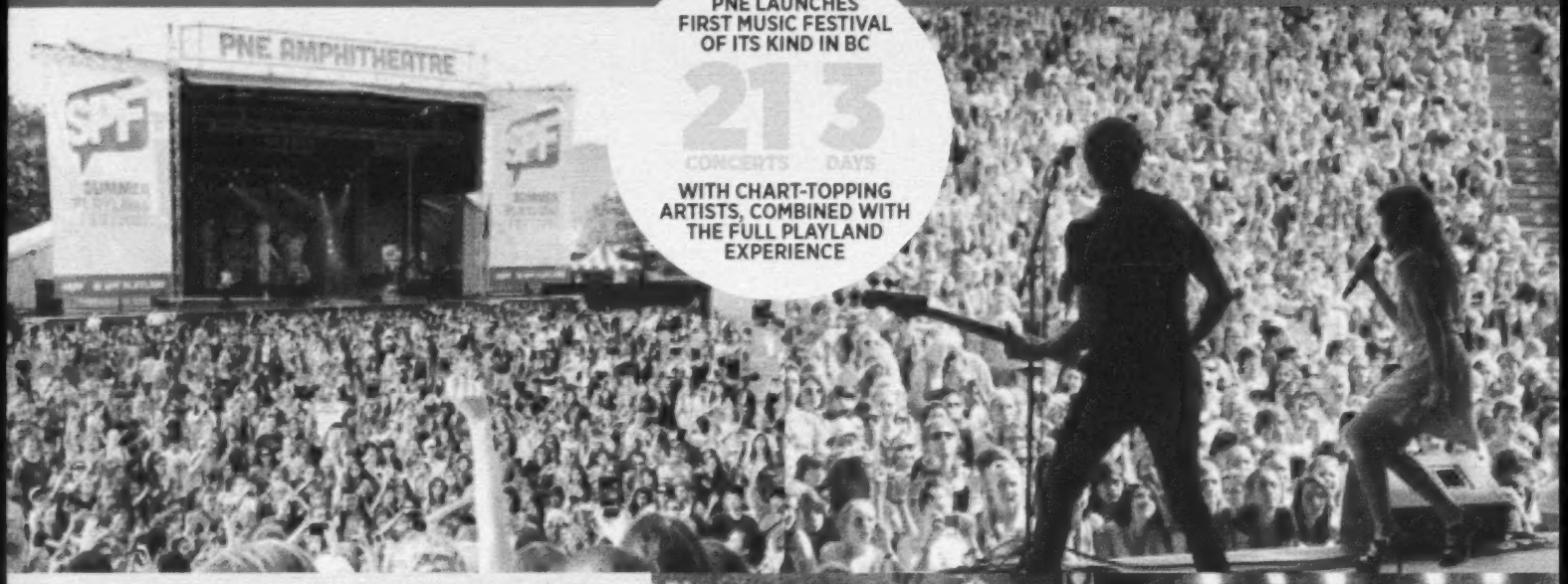
HIGHLIGHTS FROM FISCAL 2012

(APRIL 1, 2012 – MARCH 31, 2013)

PNE LAUNCHES FIRST MUSIC FESTIVAL OF ITS KIND IN BC

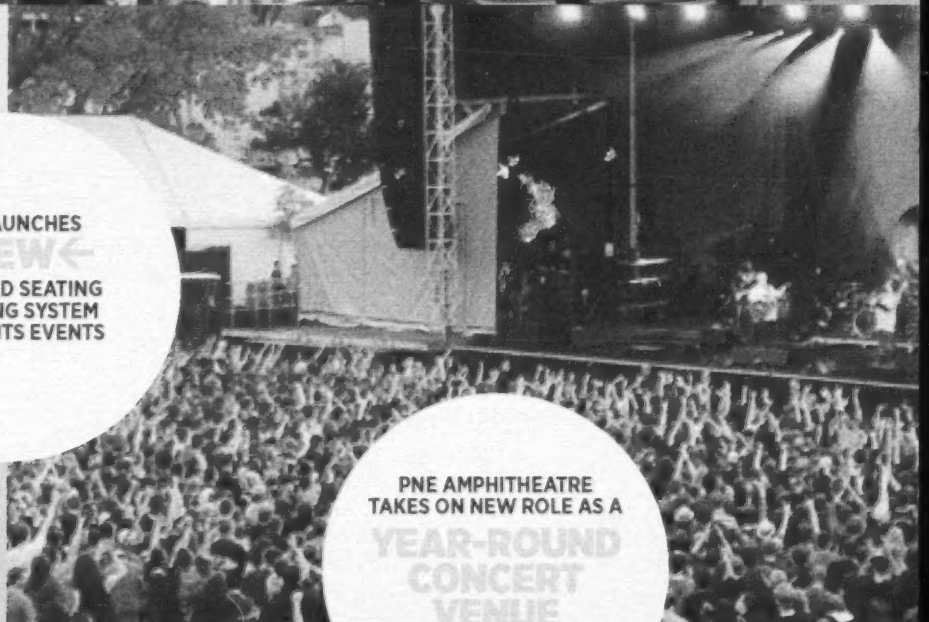
21 CONCERTS **3** DAYS

WITH CHART-TOPPING ARTISTS, COMBINED WITH THE FULL PLAYLAND EXPERIENCE

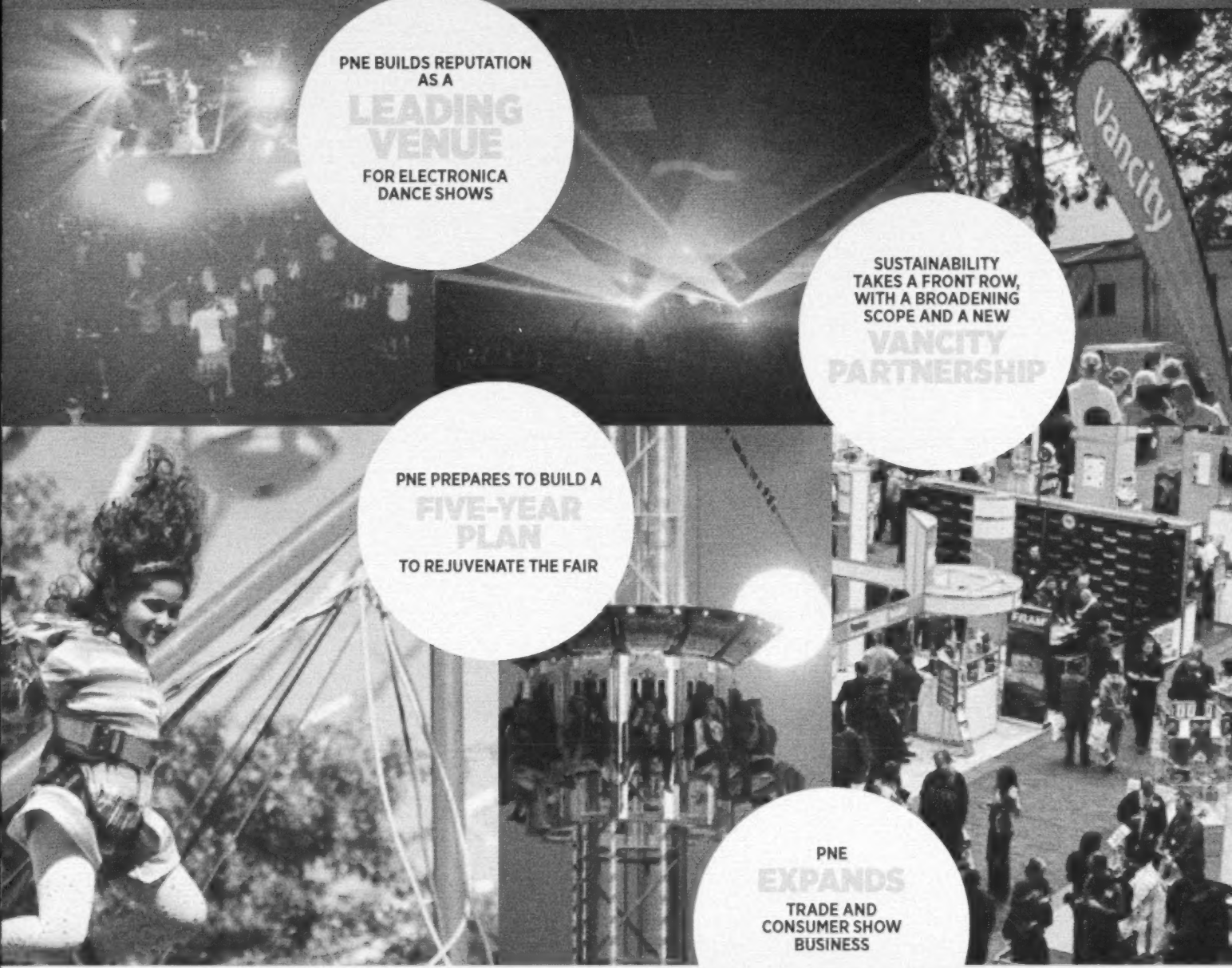


TICKET LEADER

PNE LAUNCHES →NEW← RESERVED SEATING TICKETING SYSTEM FOR ALL ITS EVENTS



PNE AMPHITHEATRE TAKES ON NEW ROLE AS A YEAR-ROUND CONCERT VENUE



PNE BUILDS REPUTATION AS A **LEADING VENUE** FOR ELECTRONICA DANCE SHOWS

SUSTAINABILITY TAKES A FRONT ROW, WITH A BROADENING SCOPE AND A NEW **VANCITY PARTNERSHIP**

PNE PREPARES TO BUILD A **FIVE-YEAR PLAN** TO REJUVENATE THE FAIR

PNE **EXPANDS** TRADE AND CONSUMER SHOW BUSINESS

INTRODUCTION

Fiscal year 2012 brought many exciting business development initiatives as well as some challenges. The launch of a new ticketing system and increased trade and consumer show business reflected positively on finances. Unfortunately, eight weeks of poor summer weather, unprecedented rainfall levels in the fall and a range of industry trends affected the overall financial performance of Playland, Fright Nights, SPF (a new music festival) and the success of the PNE Amphitheatre as a year-round concert venue in its first year. Operating such weather-dependent activity streams often means that financial results have variability from year to year. With 100 years of experience on-site, the PNE understands this and from 2002-2012 has been able to produce an operating surplus of $4.07 million, invested back into the site and facilities.

Despite a year with a series of challenges, the future remains very bright for the PNE as the organization enters its 103rd year of operation. The approval of the Master Plan provides a solid foundation for the growth of the company and the upcoming Governance Review will help to clarify and define the most appropriate structure for stewardship of the site into the future. A five-year plan to reinvigorate the Fair at the PNE, continued investments into Playland, and the execution of additional business development ideas will serve to provide a strong base for ongoing success.

THE PNE'S ROLE AT HASTINGS PARK

The PNE operates four business streams and governs 115 acres of the 165-acre Hastings Park (Great Canadian Casinos operates the racetrack on the remaining 50 acres).

The largest and most well-known activity stream is the Fair at the PNE, that iconic two and a half weeks each summer that draws 800,000 guests from across British Columbia to be entertained and experience a range of foods, rides and exhibits. The PNE's second activity stream is Playland Amusement Park. Playland is open April through October each year and entertains more than 375,000 guests (outside of Fair-time) with games, food and 35+ rides and attractions. A less well-known activity stream is the year-round events portfolio. This includes the use of all the facilities on-site to host concerts, sporting events, festivals, and cultural and community events. The fourth activity stream is facility and park maintenance. The PNE is solely responsible for the care and upkeep of indoor facilities such as the Pacific Coliseum, Forum, Agrodome, Rollerland, the livestock building and Garden Auditorium. The PNE also ensures outdoor spaces including the sanctuary, Italian Gardens, Momiji Garden, centre grounds and all outdoor spaces within the 115-acre border blossom and thrive. The organization has specially trained teams on staff to ensure that the public park—including the Italian Gardens, Momiji Garden and the Sanctuary—remain in their naturally intended states. Care of the facilities and grounds is a regularly budgeted expense, and each year the PNE invests approximately $3 million in non-event-related maintenance on-site and $1 million in event-related maintenance to ensure that the park remains well taken care of and ready for the community to enjoy year-round. To ensure best practices for park spaces, the PNE collaborates with Vancouver Park Board staff throughout the year; their input is reflected throughout the site.

Owned by the City of Vancouver, the PNE reports to a Board of Directors that includes leaders from the community, businesses, the Vancouver Park Board and the City. Because Hastings Park is so vibrant and active, some people think we are a commercial company, but the PNE is, and always has been, a not-for-profit organization. During the 2012 fiscal year, the PNE generated $44.06 million in total revenues across its four activity streams. One hundred per cent of proceeds are invested back into the site, facilities and programs, and the upkeep of the green space.

The balance of community and commercial uses on-site allows the PNE the financial flexibility to invest millions annually in supporting community use of the site and enhancing the park areas. The PNE has proudly managed and operated Hastings Park since it was granted in trust to the City more than a century ago and has gained over 100 years of experience and knowledge of this unique site along the way.

••• LITTLE-KNOWN FACTS •••

The PNE is a non-profit registered charity and, as a financially viable non-profit entity, all profits are invested back into the site and its facilities.

The organization is owned by the City of Vancouver.

Hastings Park is a parcel of land held in trust for the City of Vancouver and is managed and operated by the PNE on behalf of the city.

The PNE manages Hastings Park, with the exceptions of the racetrack, which is operated by Great Canadian Casinos, and Empire Field, which is under the care of the Vancouver Park Board.

Company executives report to a Board of Directors that includes business and community leaders, as well as elected officials and senior staff from the City of Vancouver and the Vancouver Park Board.

The PNE is the largest employer of youth in British Columbia, providing a range of much-needed first jobs that build essential skills for the next generation of workers and leaders.

THE PNE'S ROLE IN THE COMMUNITY AND AT THE HEART OF HASTINGS SUNRISE

Since the PNE was founded in 1910, it has proudly been at the heart of Hastings Park and the Hastings Sunrise community. The organization remains committed to positively impacting the neighbourhood that it has been part of for more than 102 years, as well as recognizing and helping to mitigate any negative impacts. The PNE partners with a variety of local schools, sport groups and non-profit organizations to support their initiatives, from fundraising to student leadership.

Within the park, the PNE supports community activities through maintenance of the grounds and facilities and by efforts such as providing over 840 hours of community ice programs throughout the year for 18 hockey and skating groups in the Agrodome, at rates equivalent to those offered by community rinks. The PNE also provides a low-cost home exclusively for the CircusWest training school in the Garden Auditorium for 11 months each year and provides subsidized venues for a variety of local non-profit andcommunity groups. The PNE also offers complimentary space and management support for a variety of events coordinated by neighbourhood groups including the LightWaterDrums Festival and annual Bike Fest organized by the Hastings North Community Partners Group and the Templeton School Hub Grade 7 conference.

For the past 11 years, the PNE has also been one of the biggest local supporters of the Hastings Community Little League (HCLL). For more than 50 years, the HCLL has provided thousands of children with the opportunity to have fun while being active and learning valuable skills such as teamwork. The PNE provides a complimentary Playland PlayPass to over 400 players plus free indoor practice space, and provides the organization with fundraising opportunities to help fund upgrades to the ball fields, with the goal of hosting the 2016 national championships. These efforts include Community Day

in Playland, where a portion of every Playland admission is donated to the HCLL. In 2012, over $18,000 was raised for the HCLL through this initiative.

In addition, every year at the end of September, the PNE hosts local Hastings Sunrise schools for the annual Terry Fox National School Run Day at Empire Field. The schools raise awareness and funds for the Terry Fox Foundation and run a course in the park to promote physical activity. The PNE provides logistical support as well as snacks and water for the kids. In 2012, over 1,500 kids from nine schools participated in the 8th annual Terry Fox run at Hastings Park coordinated by the PNE.

As part of its efforts to minimize the impact of its operations on the neighbourhood during large events, the PNE operates the Neighbourhood Clean-Up Crew and Neighbourhood Bike Patrol programs that help keep the residential areas clean and safe. The rental of local school parking lots during the Fair helps reduce community parking impacts and provides the schools with funding to support the programs of their choice. The PNE also engages local businesses and neighbours with complimentary tickets to attend PNE events. To ensure ongoing access to the park, the PNE provides residents in the Hastings-Sunrise area with access to special passes so residents can continue to enjoy paths for jogging and other regular park activities during the Fair.

In 2012, the PNE also hosted its first annual community BBQ at Hastings Park in July where local neighbours are invited out to Hastings Park to enjoy complimentary food and beverages, activities and prizes. This is one way that the PNE says "Thank you for being great neighbours".

While the PNE receives unparalleled support from many neighbours and the vast majority of Vancouver residents, the PNE management team remains fully committed to consulting with the community, minimizing negative impacts and enhancing our positive influences now and into the future.

••• GIVING BACK •••

- Over 2,700 tickets were donated to more than 615 non-profit organizations through ticket donation programs. In 2012, these groups included the Starlight Children's Foundation Canada, Ronald McDonald House BC, Kids Help Phone, the Canadian Cancer Society, the Heart and Stroke Foundation of BC and Yukon, and the Canadian Diabetes Association.
- More than 2,150 tickets were donated to 17 schools and six organizations through our local organization ticket donation program. Recipients included Kiwassa Neighbourhood House, the Hastings North Business Improvement Association and the Hastings Sunrise Community Policing Centre (HSCPC) as well as local elementary, middle and high schools.
- The PNE provides over 11,500 tickets to local residents so they can come enjoy PNE events.
- The PNE works with a variety of associations to offer jobs to those who may have barriers to finding employent.
- The PNE also uses the electronic readerboard at the corner of Hastings and Renfrew to run complimentary messages for local non-profits. In 2012, messages ran on behalf of a number of organizations including the LightWaterDrums Festival, Hastings Community Centre, Summer Youth Leadership Camp, Franklin Elementary School, CircusWest Performing Arts Society and the North Hastings Business Improvement Association.
- Each year, the PNE selects 12 community-minded youth ages 16-18 from across the Lower Mainland to sit on the PNE Youth Council for a one-year term. The Council provides leadership opportunities, and allows its members to learn about the organization and a range of business topics. The council also provides the PNE team with insights for the future. This year, council members represented Vancouver, Richmond, Burnaby, Coquitlam and North Vancouver.
- While the PNE itself is a non-profit registered charity, we continue to take great pride in generously giving back to other local organizations that are doing work to support our shared communities. In 2012, over $60,000 was raised for charity directly through PNE initiatives.

The PNE understands that celebrations and events may bring both positive and negative impacts to the surrounding neighbourhood and remains committed to minimizing those impacts and to supporting our local community. The PNE continues to be very proud of the role it plays in this regard and continues to develop and implement award-winning outreach programs.

THE PNE'S ROLE BEYOND HASTINGS PARK

IMPACT ON THE ECONOMY

The PNE is a strong driver of the local economy, generating total revenues of $47.4 million each year across four activity streams ($43.5 million – $51.5 million, with a six-year average of $47.4 million). The contributions from each activity stream are as follows: Playland welcomes over 375,000 guests annually, and generates hundreds of local jobs and approximately $11.5 million in gross revenues annually ($10.6 million–$12.16 million, with a six-year average of $11.3 million). The 17-day annual Fair averages 870,000 guests each year (753,000 – 959,000, with a six-year average of 869,000 guests). The Fair also generates $24.4 million in revenues each year ($22.1 million – $26.1 million, with a six-year average of $24.4 million). Total impact of the Fair specifically on gross domestic product (GDP) in BC is over $58 million, $30 million in salaries and wages, and $25 million in total taxes.

Year-round events such as concerts, sporting events, film, cultural and community events generate total annual revenues of $11.3 million ($8.9 million – $13.6 million, with a six-year average of $11.3 million). The PNE organization invests approximately $3 million annually in facility and park maintenance ($2.9 million – $3.1 million). All PNE activities on-site contribute an estimated $139.1 million share of the value-added GDP for BC. $115.2 million of this was generated in the Vancouver census metropolitan area (CMA). These same PNE activities provide $94.7 million each year in staff wages in BC, $80.0 million of which is retained in the Vancouver CMA.

IMPACT ON TOURISM

Vancouver Tourism defines its mission in part as working to generate demand for the Vancouver destination, with a goal to attract visitors to the region, encourage them to stay longer and ensure they return. Destination BC (previously Tourism BC) defines its mandate as promoting the development and growth of the tourism industry in British Columbia, to increase visitors to the region, to increase revenue and employment, and to increase the economic benefits generated by the industry. This is driven by the provincial government's plan for attracting new investment into our economy, and for creating and protecting jobs for families in British Columbia.

PNE activities support a strong tourism market in a number of ways. The Fair, which is the largest ticketed event in BC, draws an average of 870,000 guests each year. Of those guests, 85% come from the Lower Mainland, 11% from elsewhere in BC and 4% from beyond the province. That equates to an average of 95,700 guests from elsewhere in the province and 34,800 from outside the province each year. Approximately 11% of guests to the Fair, or 95,700 guests, travel more than 80 kilometres to visit the Fair. A third-party research study commissioned by the federal government of Canada showed that 86% of those guests said the Fair influenced their trip or was the main purpose of their trip. A large proportion (65%) of those 95,700 guests each year stay over in the Vancouver area for an average of 3.5 nights each. Approximately 40% of overnighters use commercial accommodations, resulting in more than $1.7 million in spending on lodgings.

This same study measured the total impact of the Fair's visitor spending on GDP as over $25 million each year. And more than 20% of Fair guests extend their travel to other regions of Canada, resulting in additional spending of over $5.5 million each year.

A PORTRAIT OF THE FUTURE: UPDATE ON THE HASTINGS PARK MASTER PLANNING PROCESS

Since taking ownership of the PNE in January 2004, the City of Vancouver has been involved in defining the future of Hastings Park and the PNE through a Master Planning Process. In December of 2010 a significant milestone was reached in this planning—Vancouver City Council adopted a $250 million 25-year Hastings Park/PNE Master Plan. This plan guides the long-range redevelopment of Hastings Park and the PNE's role on-site.

There are many great things about the Master Plan for the community and for the PNE organization. Through this plan, Hastings Park will be transformed into a greener year-round destination with places for festivals, culture, sport and recreation, leisure and fun. The Plan provides for new and renewed facilities on-site, with the amount of park space almost tripling, from 27 to 76 acres. An expanded Playland will remain at the heart of Hastings Park. Softer landscapes and more space will allow Playland to expand and thrive as it continues to thrill families and kids of every age.

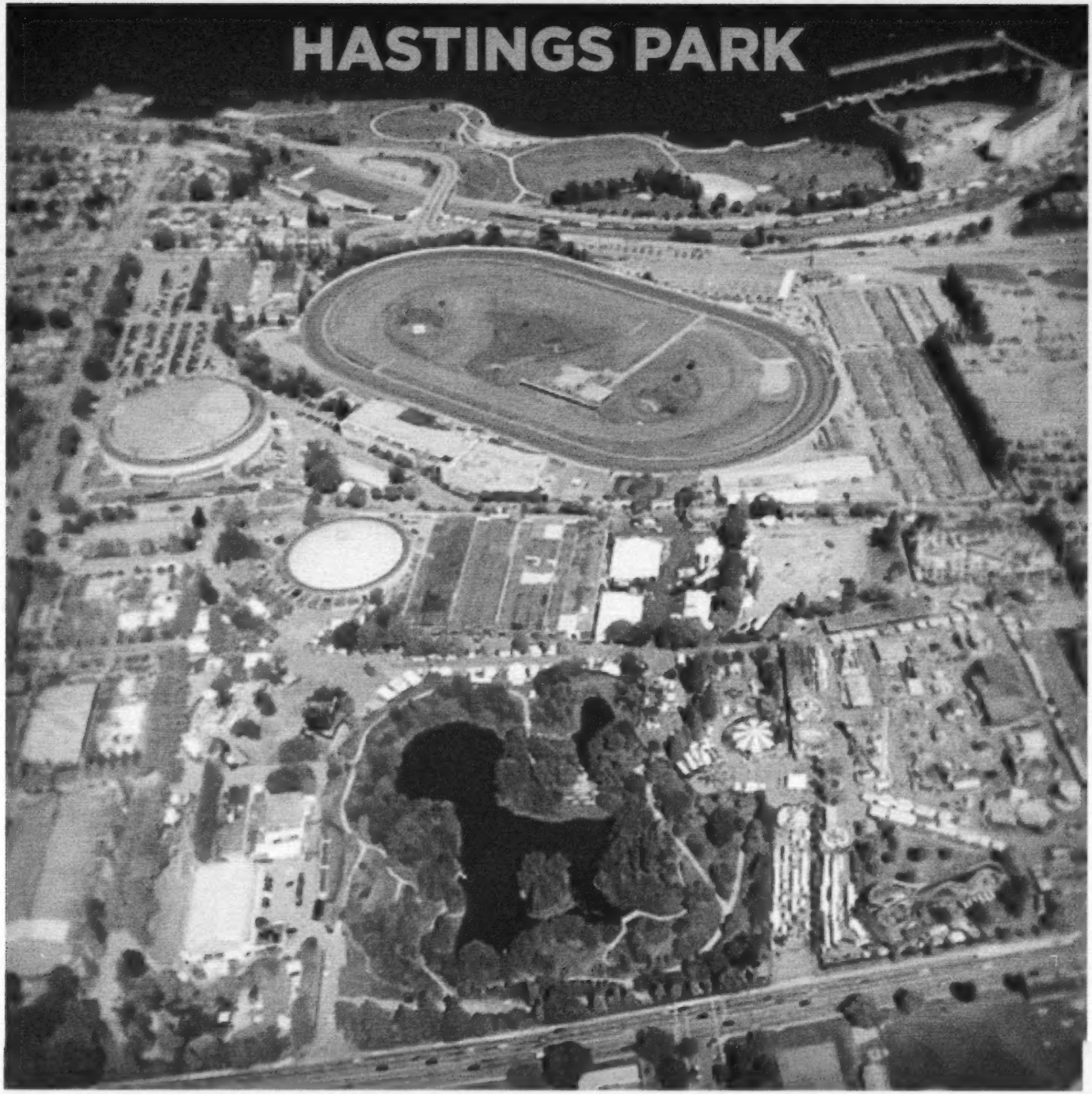
A revitalized Hastings Park will provide expanded green spaces that link to the city's green corridors, quiet blooming gardens, and pathways to and from every corner of the site. Facilities will be redeveloped to provide increased access to celebrations, festivals, sport, music and family entertainment, as well as to facilitate the growth and evolution of that beloved end-of-summer tradition, the Fair at the PNE, which is the largest event in BC.

The Master Plan is also an opportunity to significantly improve the sustainability and ecological performance of Hastings Park and the PNE, consistent with Vancouver City Council's Greenest City Action Plan priorities. The Master Plan achieves the challenging balance of providing a significantly greener and more publicly accessible Hastings Park while renewing Vancouver's historic annual Fair and amusement park, and ensuring the PNE's economic vitality and long-term sustainability.

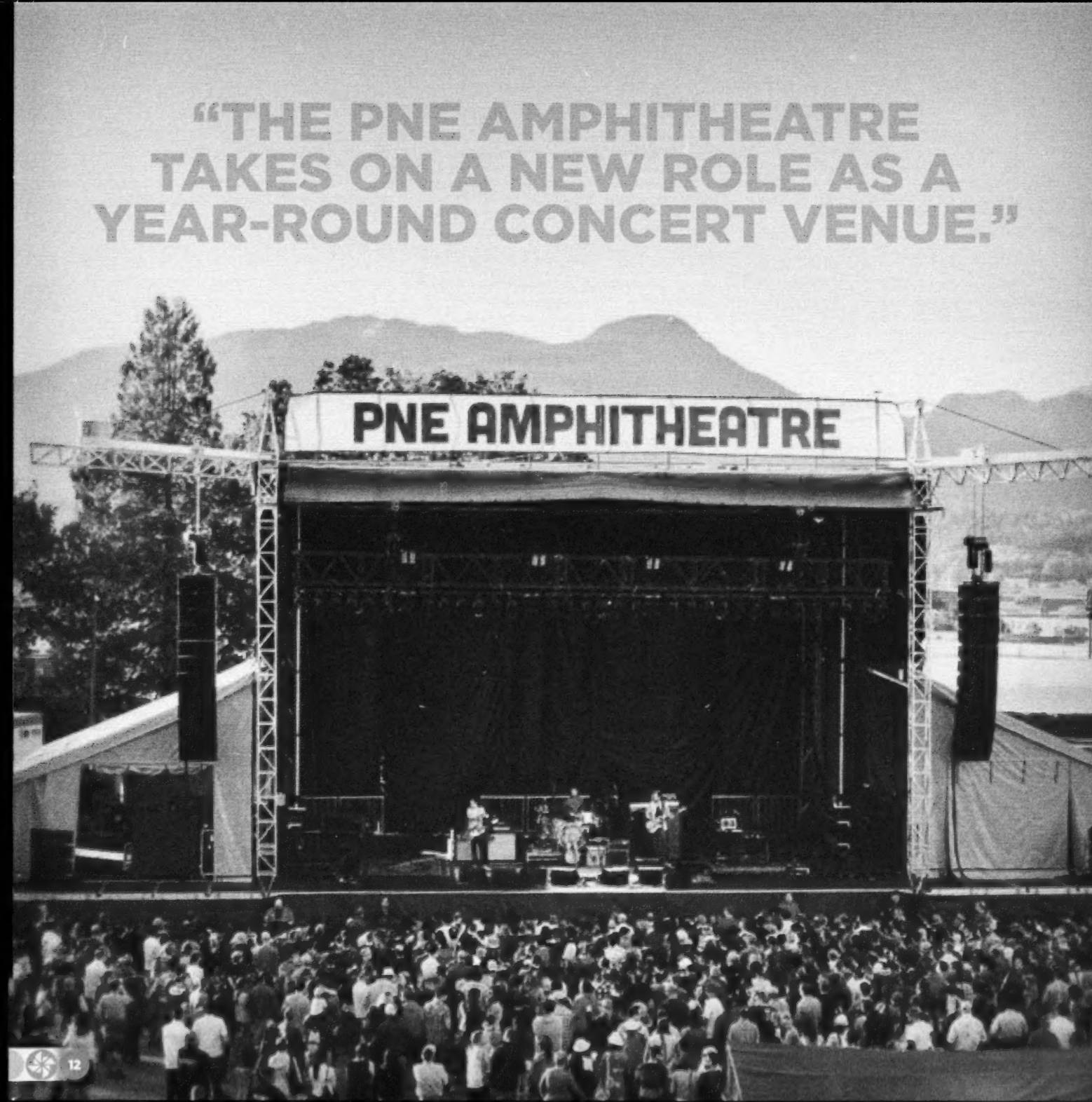
With the Hastings Park/PNE Master Plan now approved, the focus of the work is now on designing and implementation of Phase 1 – developing park greenways, reinstating Empire Field, designing the Plateau Sports Park, developing Creekway Park and building a stronger connection to New Brighton Park. These initial park developments focus on community priorities: creating additional park space and improving access to Hastings Park.

When the Master Plan was approved by the Vancouver City Council in 2010, Council also requested that City staff undertake a Governance Review of Hastings Park and report back. During this past year, much progress was made on this initiative. The consulting firm of KPMG was hired by the City through an RFP process, research was conducted by KPMG on Governance of similar sites, and a series of stakeholder and community consultation sessions began in February 2013 and continued through the summer. A final recommendation to City Council on Governance is expected in mid-2013.

Ongoing information on the Hastings Park/PNE Master Plan and the status of the Governance Review can be found at www.vancouver.ca/pnepark.


HASTINGS PARK

"THE PNE AMPHITHEATRE TAKES ON A NEW ROLE AS A YEAR-ROUND CONCERT VENUE."



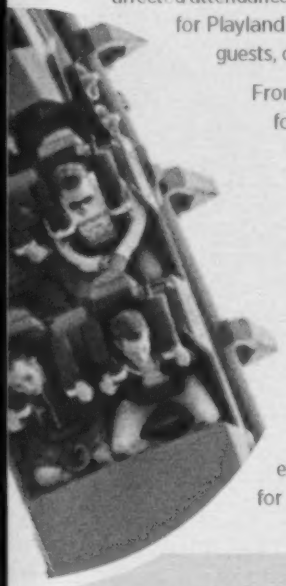
2012 RESULTS: IMPACTS, OUTCOMES AND MITIGATIONS

As mentioned earlier, fiscal 2012 brought with it many exciting business development initiatives as well as some challenges. The company launched a number of new projects, including a new ticketing system, and increased trade and consumer show business. Both these initiatives reflected positively on finances. Unfortunately, eight weeks of poor summer weather, unprecedented rainfall levels in the fall and a range of industry trends affected the overall financial performance of Playland, Fright Nights as well as the success of two new business development initiatives: SPF (a new music festival) and use of the PNE Amphitheatre as a year-round concert venue in its first year. During the 2012 fiscal year, the PNE generated $43.51 million in total revenues across its four activity streams; however, the ups and downs of the year resulted in a deficit for 2012 of $1.88 million. It should be noted, however, that from 2002–2012, the PNE has produced an overall operating surplus. The sum of those years illustrates success, with the PNE creating a net operating surplus of $4.07 million, invested back into the site and facilities.

Following is a summary of both qualitative and quantitative results across the PNE's four main activity streams throughout 2012.

Playland

Playland is considered BC's premier amusement park. Although it caters primarily to the teen thrill ride market (ages 12-24), it has also built a strong family demographic of families with young children. Playland has all of the traditional midway games, food, rides and attractions that one would expect in a regional amusement park and, in 2012, the park was open for 99 operating days, from April 28 through September 30. Last year, during the 2011 Playland season, the new thrill ride ATMOSFEAR was launched. Response was phenomenal and this new ride positively impacted attendance in 2011. However, with no new rides or attractions in 2012, eight weeks of poor weather through May and June, and a teachers' strike that negatively affected attendance of our Science of Fun school program, the attendance for Playland in 2012 was off target. The park welcomed 284,465 guests, down 7.9% from 2011 ***(see Figure 1 for a six-year history)***.



From a financial perspective, total revenues in Playland for 2012 were $10.54 million, down 11.7% from 2011 ***(see Figure 2 for a six-year history)***. Playland's net contribution was $5.11 million ***(see Figure 3 for a six-year history)***. While the net contribution is notably higher than 2011, it should be noted that this is due to significantly lower expenses being billed to the Playland activity stream in 2012. For clarity, the PNE made a change in the way that certain costs are allocated across business streams, so expenses that would previously have been allocated to Playland are now, more appropriately, allocated to maintenance. You will see an appropriate balance of increased expenses in the facility and maintenance activity stream for 2012 to offset this change in Playland expenses.

On a positive note, group sales efforts continued to play a significant role in building attendance for Playland. Currently, almost one in three guests comes to the park each year as part of an organized, pre-arranged group. For example, a total of 20,418 guests attended Playland's educational program days such as Science of Fun and Amusement Park Physics in 2012. While this is a decrease of 6,658 visits or 24.6% over 2011, it results primarily from a year-long teachers' job action that limited BC teachers' abilities to do field trips through the spring season. Playland also hosted 28,517 guests and 63 companies at corporate events in the park. This is a 42.4% increase in guests and a 14.6% increase in the number of companies hosting events over 2011. We continue to see more companies hosting events in Playland as the economic conditions continue to improve, with a few companies increasing the size of their events in a significant way in 2012. Corporate events account for more than $925,000 in total revenues. An additional 1,970 guests came through Playland as part of organized on-site birthday parties, 14,672 guests attended through year-end school parties and 7,603 guests attended through a variety of other organized groups. In total, 86,204 group sales guests contributed more than $2.04 million in total revenues to the Playland activity stream in 2012.

In summary, Playland had some ups and down in 2012. With the teachers' job action and a solid eight weeks of poor weather in May and June, attendance was down, as were total revenues. However, a number of programs saw positive growth and, with additional planned ride investments in 2013, Playland should experience a stronger season in 2013. Overall, the future of Playland continues to shine brightly with City Council's approval of the 25-year redevelopment plan for Hastings Park that will see Playland continue to grow and be revitalized in the coming decade.

Figure 1
PLAYLAND ATTENDANCE

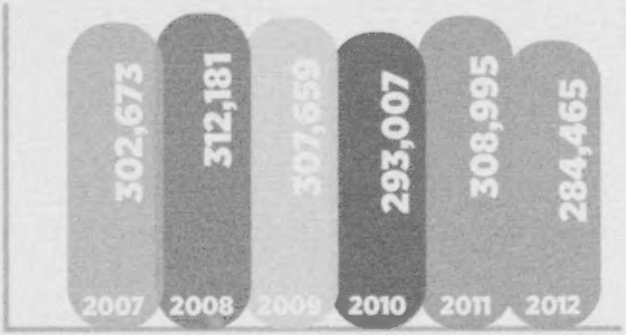


Figure 2
PLAYLAND TOTAL REVENUES

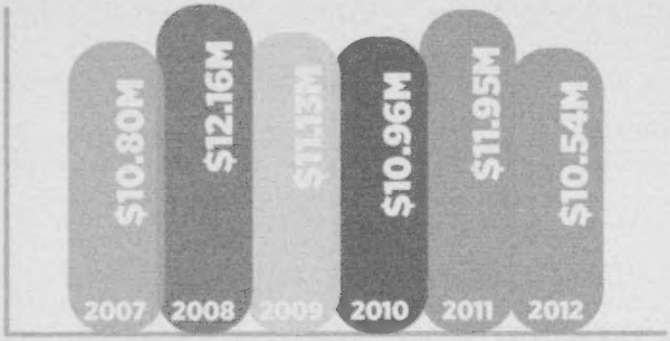
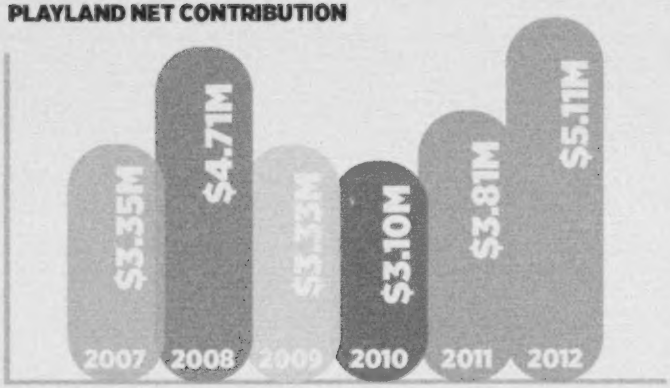


Figure 3
PLAYLAND NET CONTRIBUTION



"FRIGHT NIGHTS HAS SECURED ITS POSITION AS VANCOUVER'S SIGNATURE HALLOWEEN EVENT."

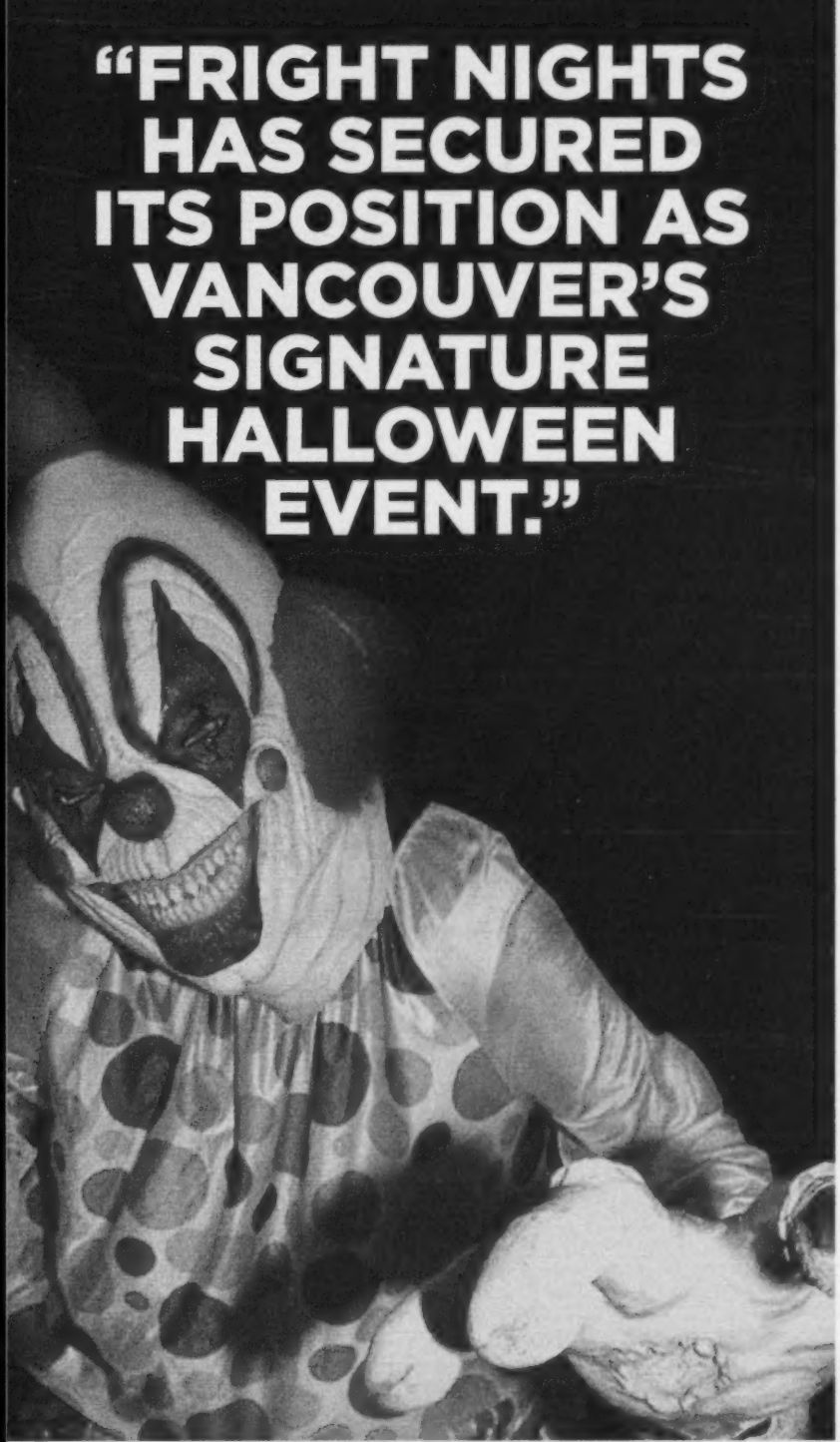


Figure 4
FRIGHT NIGHTS ATTENDANCE

Fright Nights

Playland's regular season closed on September 30 and for the next few weeks the park became possessed by the eerie and haunted world of Fright Nights. Now in its 10th year, Fright Nights has secured its position as Vancouver's signature Halloween event, a unique nighttime event with all the excitement of amusement rides and horrifying haunted attractions. In 2012, however, Fright Nights faced significant weather challenges during the event's 15-day run from October 17 - 31. It rained 12 of 15 nights and Vancouver experienced an unprecedented 123 millimetres (mm) of rain, which was double the daily average of the previous four years (average 8.8 mm per day in 2012 vs. average 4.5 mm per day from 2007-2011). In addition, key weekend nights received 20+ mm per day, dramatically impacting attendance. In total, Fright Nights drew 55,254 guests in spite of the weather, but this was down almost 42% from the prior year ***(see Figure 4 for a six-year history)***. Unfortunately, since ticket sales for this event are date-specific (which is different from Playland and the Fair) and fall weather is unpredictable, Fright Nights as an outdoor event remains susceptible to attendance being more dramatically impacted by weather. Guests wait to attend/purchase tickets for specific dates until the weather is known, thereby minimizing our ability to sell large quantities of tickets in advance.

On a more positive note, a highly anticipated new haunted house was added to the Fright Nights experience in 2012 and was exceedingly well received by our guests and the media. Called "FEAR", this house plays on traditional societal fears like spiders, snakes, heights and being buried alive. Every guest is sure to experience a moment of sheer terror in this house. This was not only a fresh new attraction for the event but it also expanded the Fright Nights experience by adding a sixth haunted house to the footprint of five haunted houses, 12 rides, live actors, multiple games, a fire show and the grotesque exploits of the Monsters of Schlock comedy show. Fright Nights continues to make for a uniquely terrifying experience each fall – there really is nothing else like it in the Lower Mainland.

Despite the weather, Fright Nights achieved $1.89 million in total revenues ***(see Figure 5 for a six-year history)*** and contributed $998,016 in net income towards the Playland activity stream ***(see Figure 6 for a six-year history)***.

Note: Fright Nights revenues are included in the Playland total, although they are broken out separately here in the Fright Nights section for comparative purposes.

Figure 5
FRIGHT NIGHTS TOTAL REVENUES

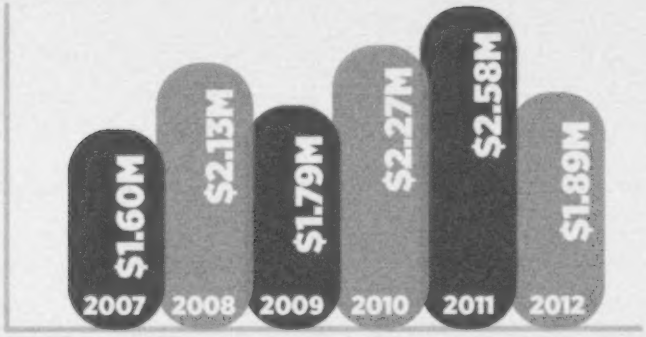
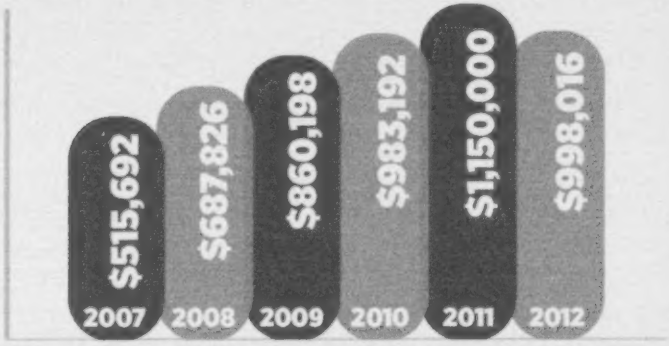


Figure 6
FRIGHT NIGHTS NET CONTRIBUTION



The Fair at the PNE

Mini-donuts, Superdogs and the PNE Prize Home! The Fair at the PNE remains the largest ticketed celebration in BC and an end-of-summer tradition for people of all ages. This event is responsible for approximately 50% of PNE annual revenues and is the single largest initiative the organization works on.

Each year the PNE tries to preserve the fine balance between new and traditional favourites, weighing the must-have iconic things against adding new entertainment to keep the experience fresh, all to make the Fair something that guests simply can't miss. New entertainment highlights included bringing the classic *Family Feud* TV show to the Fair, where audience members were picked to be competitors. A new afternoon family concert series called the WestJet Family Fun Series included performances by the Doodlebops, Victoria Duffield, Greyson Chance, Tyler Medeiros, Shawn Desman and the Princess Jubilation show. Also for the kids, the PNE partnered with Canfor to bring eight magnificent and whimsical made-in-BC playhouses to the site as part of a Habitat for Humanity charity program. Kids were free to climb and play to their hearts' delight.

The Summer Night Concerts series had 17 all-new concert acts by legendary performers such as Heart, Juice Newton, Prism, Olivia Newton-John, Emerson Drive, Our Lady Peace, Colbie Caillat, Gavin DeGraw and others. Also new this year was the introduction of a feature pavilion. The exhibit was a 12,000-square-foot authentic Star Trek display with original set pieces, costumes, masks and memorabilia from the TV series. Entry to the exhibit was free with admission. Bonus atmospheric entertainment included World on the Water, DrumBeats, Boogie Fever and KC Bear Summer Jam shows.

Returning entertainment favourites included Superdogs, the Peking Acrobats, Pop City, the Star Showdown talent competition, the Evolution of Extreme motor sport show, Festival Square community and cultural programming, the Dal Richards orchestra, Art Cars, RibFest, Marketplace shopping, the PNE Green Scene, Container Art and the Sand Sculpture Competition. This is in addition to our array of agricultural programming such as Farm Country, Pacific Spirit Horse Show, Kidz Discovery Farm and the 4-H Festival. Access to all of these was free with admission.

FOCUS ON AGRICULTURE

The annual 4-H Festival welcomed over 350 kids from 41 clubs across BC. Over $15,500 was awarded and over 1,600 entries were judged. The Agriculture auction at the end of the 4-H Festival raised $327,000 for participants. In the Pacific Spirit Horse Show, $23,000 was awarded, with 830 entries judged. During the Fair, over 950 animals went through the barns, and more than 24,000 kids went through the Kidz Discovery Farm exhibit to learn the farm-to-fork basics. Lastly, each year the PNE hosts a charity auction in support of the BC Youth in Agriculture Foundation; $35,080 was raised at the 2012 Fair.

PROMOTIONAL DAYS

In 2011, as a replacement for the report card ticket program, the PNE invited all kids in BC under the age of 13 to attend the Fair for free. This new tradition, which was continued in 2012, will be an annual tradition moving forward. In addition, "Free Day" was held on Monday, August 20th, where any and all guests could enter the grounds for free between 9 a.m. and 12 p.m. Vancity Member Day was held on Wednesday, August 22nd, with gate admission for all Vancity members only $5 each for them and a guest. The Fair welcomed almost 12,000 Vancity members on that day.

Overall, Fair attendance was 763,689, down 5% from 2011. Total revenues were $23.25 million and provided a positive net contribution of $7.28 million ***(see Figures 7, 8 and 9 for a six-year attendance and financial history)***.

Figure 7
FAIR ATTENDANCE

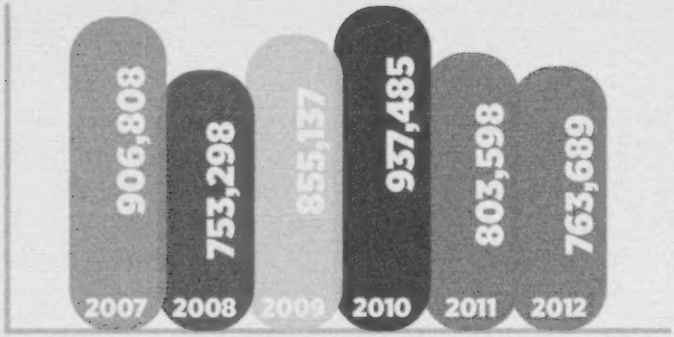


Figure 8
FAIR TOTAL REVENUES

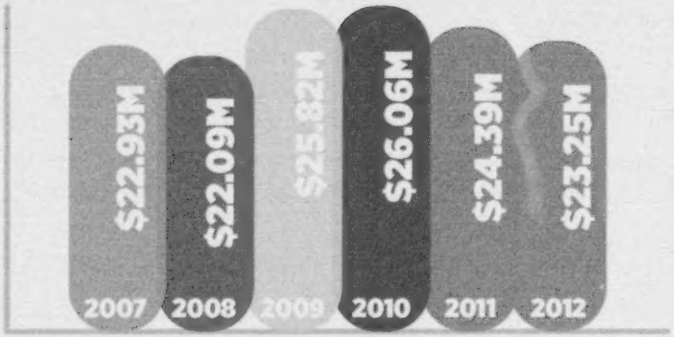
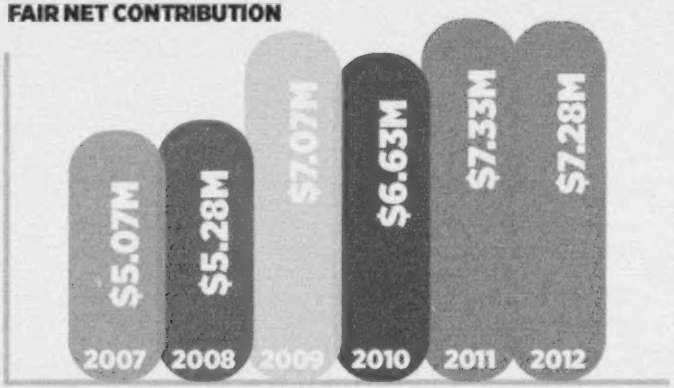
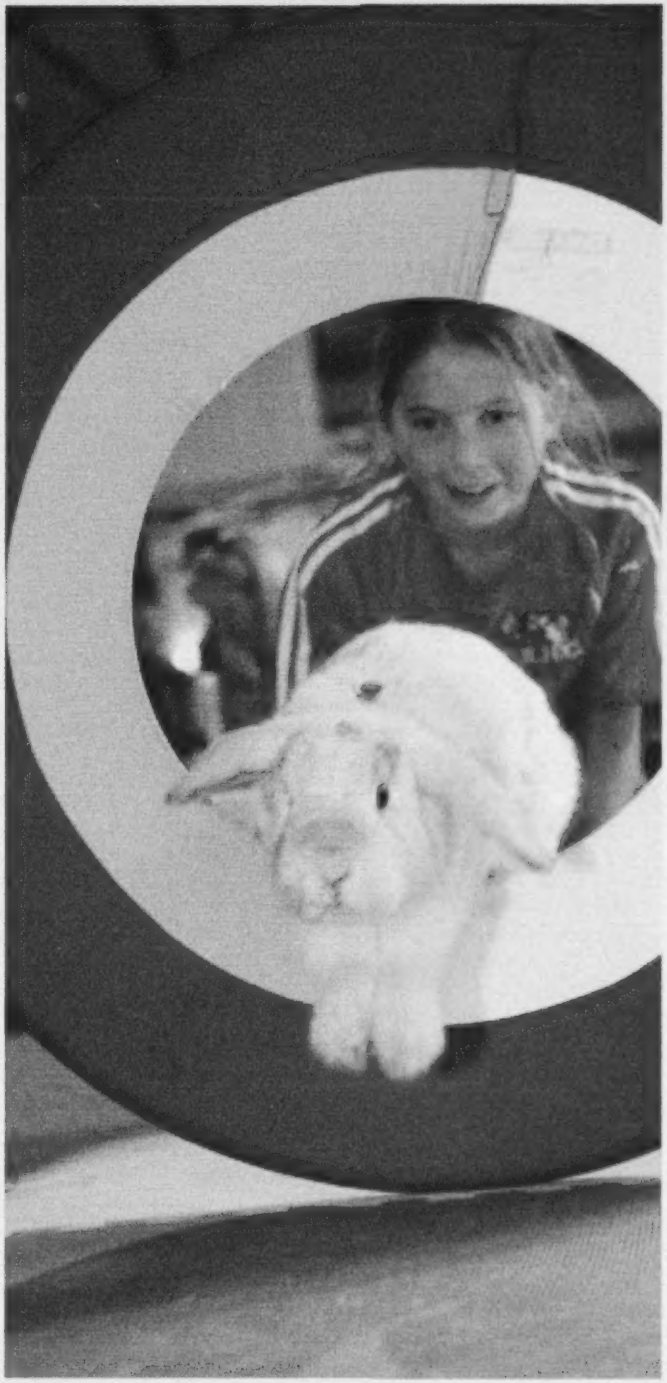


Figure 9
FAIR NET CONTRIBUTION





Global
BC

PNE Prize Home Lottery
Win a House, Win a Car!

The 78th annual PNE Prize Home lottery was held May through August 2012. As BC's most well-known and iconic lottery program, it is "the original and still the most affordable". More than 125,000 guests tour the home each year during the Fair, each dreaming of making it their own and imagining how they can incorporate the new interior design ideas. Prizing for the 2012 lottery included the grand prize home package as well as 12 vehicles, three early bird prizes and a bonus draw for a luxury trip to Asia. The total value of all prizing was $1.82 million.

The grand prize package included a 3,000-square-foot luxurious resort getaway on a ski-in, ski-out mountainside lot in Sun Peaks. It is a Craftsman-style home built by Britco with interior design by Jillian Harris Design. Furnishings were provided by Lane Home Furnishings, accessories by Country Furniture, energy-efficient and chef-inspired appliances compliments of Coast Wholesale Appliances, smart home design by Visions Electronics, and a hot tub and sauna from Coast Spas. The package also included four seasons of sporting goods from Comor Sports, outdoor living furniture by American Home & Patio, $2,500 in groceries from MarketPlace IGA and one year of housekeeping services. The winner of the 2012 Prize Home was Marnie Odette from Richmond, BC.

The 2012 package of 12 vehicles was the most fuel-efficient vehicle group ever and included seven hybrid vehicles from Jim Pattison Auto Group. The three early bird prizes, in order, were $5,000 in groceries from MarketPlace IGA, a seven-day Gold Leaf vacation from Rocky Mountaineer, and $25,000 in cash. This year, the PNE also included a new bonus draw of premium-class flights to Asia from EVA Airways plus $5,000 cash.

119,365 sheets of tickets were sold, generating $4.51 million in total revenue ***(see Figure 10 for a six-year revenue history)***. Each year, revenues from the lottery program support a variety of community programs and the PNE's rich history of agricultural programming, as well as other free multicultural and family programming.

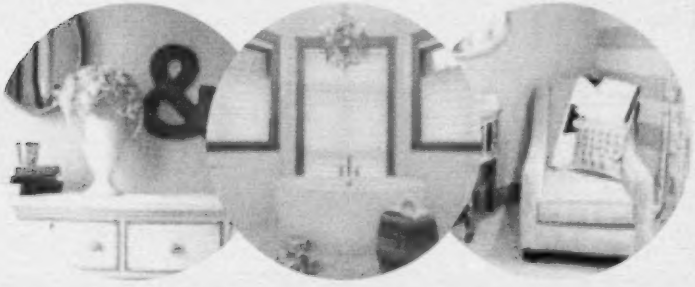
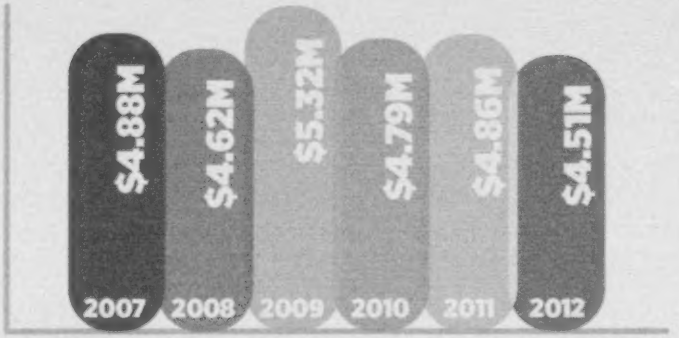


Figure 10
PRIZE HOME LOTTERY TOTAL REVENUES



Year-Round Events

The PNE business is highly specialized, yet incredibly diversified. It is this diversity in our activity streams that allows the company to withstand industry shifts, weather effects and economic impacts that may affect one or more aspects of the company in the short term while continuing to perform strongly overall in the long term. In 2012, total revenues from year-round events (excluding Playland, the Fair and Fright Nights) were $8.90 million, with a net contribution of $1.71 million ***(see Figures 11 and 12 for a six-year revenue history)***. The organization faced some above-average variability in this activity stream during 2012, as a number of new business initiatives were executed. While all events were operationally successful, some were more financially successful than others, contributing to lower-than-projected overall revenues in the year-round events portfolio. Despite the revenue challenges of 2012, the PNE remains a year-round hub of activity that is important and relevant to our communities.

SPORTING EVENTS

The PNE continues to host a diverse range of sporting events on-site, representing a broad range of interests throughout the community. We are proud that the Vancouver Giants junior hockey team has called the Pacific Coliseum home for over a decade. In 2012, the Giants played 36 home games, cheered on by over 259,000 fans throughout the season. As an additional highlight, the Giants hosted the Canada-Russia Subway Super Series game, which drew over 11,000 fans on November 14th. Team WHL (comprising Canadian World Junior-eligible players) took on Team Russia at the Pacific Coliseum in this precursor to the World Juniors.

In addition to organized hockey, the PNE hosted 18 hockey and skating clubs with over 840 hours of community ice in the Agrodome. In September, the PNE hosted over 1,500 kids from seven local schools in the annual Terry Fox Run, and the PNE continues to work closely with and support the Hastings Community Little League (HCLL). The first annual Community Day for the HCLL was hosted at Playland in May, raising over $18,000 in support of the league. The PNE continues to provide free indoor practice space and tickets to Little League members each year. 2012 also saw the conversion of Empire Fields begin through the City of Vancouver. It is expected to take until late 2014 to complete the conversion of the temporary stadium site back to a community sports fields with new and improved legacy equipment, a new plateau park with a mountain bike skills area, and courts for community use. From junior hockey to community ice time, and from Little League practice to the annual Terry Fox Run, the PNE remains a key location for amateur sport in BC.

CONCERTS

It is impossible to look at a century of PNE history and not be taken to the world of music. From the first Canadian concerts by Elvis and the Beatles to the dance hall days of the Garden Auditorium, music and concerts have always played a role in entertaining guests on-site. Some of Vancouver's

Figure 11
FACILITY SALES TOTAL REVENUES

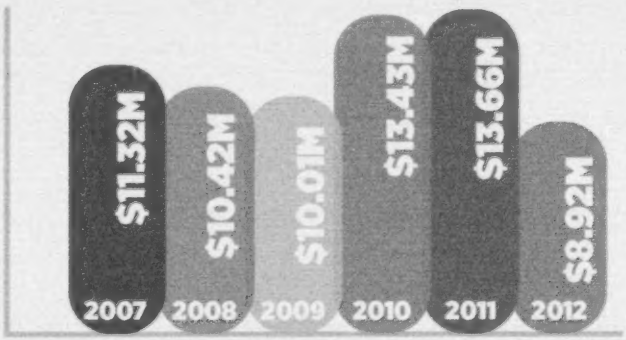
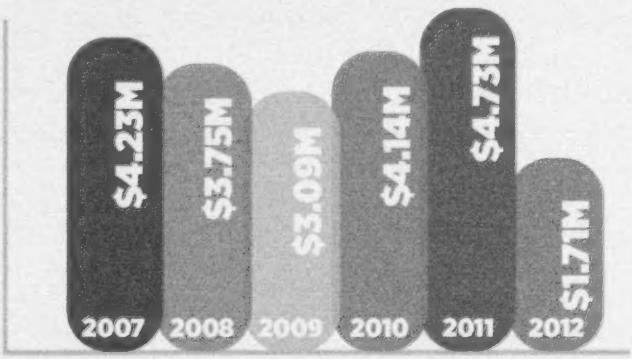


Figure 12
FACILITY SALES NET CONTRIBUTION



biggest shows have come through the Pacific Coliseum and, although the city now has alternate venues downtown, music still plays a central role in the PNE's business. To capitalize on this, many exciting business initiatives were launched in 2012 in support of growing PNE concert revenues. These include the purchase of a new portable outdoor stage for PNE and rental use, the launch of SPF, the Summer Playland Music Festival, adding an expanded electronic dance music configuration in the Pacific Coliseum and the build-out of the PNE Amphitheatre to bring a new outdoor concert experience to Hastings Park year-round.

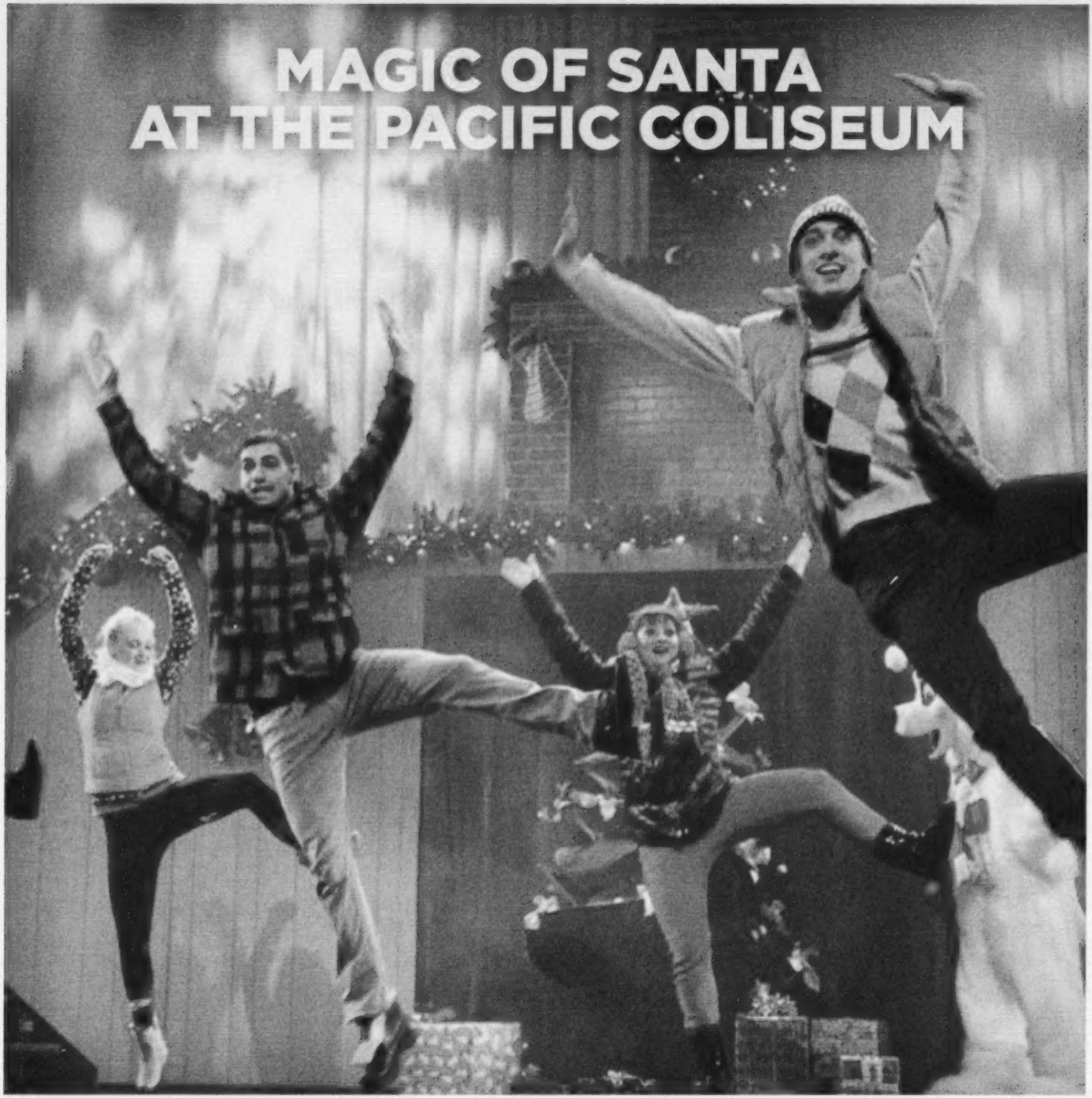
While these initiatives presented challenges for PNE finances in 2012, the long-term success of these initiatives will pay off.

In April 2012, the PNE made a significant capital investment in a SAM555 outdoor stage. This stage, which is capable of hosting the biggest concerts performed in BC, is the largest portable stage structure of its kind in Western Canada. With a number of stage disasters highlighted in the media during recent years, a great deal of research went into this investment and the PNE purchased a top-end stage from a world-leading supplier. Uses for this stage are twofold. Not only will it save long-term stage rental costs during the annual Fair, but it will also provide the PNE with infrastructure for the Amphitheatre concert build-out, and it can be rented to other outdoor concerts and events across Western Canada and across the Pacific Northwest in partnership with our supplier Stageline. The SAM555 stage was used during the Fair for the Summer Night Concerts series, at SPF and at two PNE Amphitheatre concerts, in addition to several rental uses throughout the 2012 fiscal year.

SPF SUMMER PLAYLAND FESTIVAL

As part of its new business development initiatives, the PNE announced on May 1st the launch of a first-of-its kind teen music festival called the Summer Playland Festival (SPF 2012). The event was targeted primarily at youth ages 16–24 and was held over three days, July 6–8, at Playland and the PNE Amphitheatre. SPF 2012 featured music's top acts including Marianas Trench, Joe Jonas, OneRepublic, Dragonette, Cobra Starship, Danny Fernandes, Gym Class Heroes and local sensation Carly Rae Jepsen. This groundbreaking event put a new spin on youth music festivals, showcasing 21 exciting concerts—seven acts each day across two stages. One stage was in Playland, the other was at the PNE Amphitheatre. Acts included a number of high-profile international bands as well as some exciting local up-and-comers. And to top it off, concertgoers had full access to Playland all day to enjoy rides, games and all their favourite foods. Tickets ranged from $59 per day to $129 per day for a stage-front VIP experience.

Excitement from guests was phenomenal; operationally, it was a huge success to marry the Amphitheatre and Playland in a single one-of-a-kind experience. Overall, more than 7,000 guests attended the festival over three days. Financially, however, it fell short of budget projections based on lower-than-expected ticket revenues coupled with high investments in the talent lineup and venue build-out, resulting in a notable loss in the first year of the project. Unfortunately, two other high-profile youth concerts (Justin Bieber and One Direction) also went on sale within weeks of SPF going on sale, which significantly impacted dollars available in the concert market for this age group. It will be decided at a later date whether this becomes an annual, biannual or one-off event.


MAGIC OF SANTA
AT THE PACIFIC COLISEUM

PNE AMPHITHEATRE

The PNE Amphitheatre is a unique outdoor facility with a capacity of approximately 7,000 that was at the centre of a number of 2012 new business initiatives. In an effort to better use the facility on a year-round basis, and in addition to its use for SPF, a relationship was formed with a US promoter to bring several outdoor shows to the Amphitheatre during the 2012 year. The venue was very well received by guests as a great outdoor space and two shows, Tenacious D (May 27) and Ben Harper (July 4) gave memorable performances to crowds ranging in size from 2,500 to 4,000. Unfortunately, the US promoter faced significant market pressure and had more difficulty in booking shows in Canada than they anticipated. This also contributed to a loss versus budget on Amphitheatre shows for the year.

ELECTRONIC DANCE MUSIC

What used to be considered eclectic is now very much mainstream. Electronic dance music used to play small out-of-the-way venues with niche audiences. This genre reached maturity in 2011 and by 2012 had exploded, arriving fully with its own stars and infrastructure. The PNE is proud to have played a role in supporting the incredible spike in this genre's popularity, having hosted and supported most of the Lower Mainland's shows over the past five years. From the Forum to the Pacific Coliseum, the PNE has a unique array of venue options that meet the needs of electronic dance show promoters, including a very unique floor configuration that can only be accommodated at the Coliseum. Throughout 2012, the PNE played host to the very hottest acts in electronica, including Justice, Kaskade, skrillex, AVICII, Above & Beyond, Dooms Night and the Seasons Festival featuring Calvin Harris and Nicky Romero. Many shows were sold out and crowds ranged from 2,500 to 7,000 people.

"IN TOTAL, 70,964 GUESTS ATTENDED 17 CONCERTS IN THE PACIFIC COLISEUM AND TWO CONCERTS IN THE FORUM. ANOTHER 12,334 GUESTS ATTENDED OUTDOOR SHOWS AT THE NEW PNE AMPHITHEATRE."

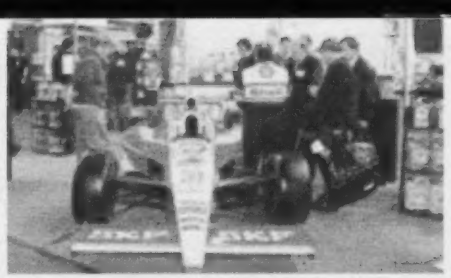
IN THE MAINSTREAM

The PNE is also proud to continue showcasing mainstream artists, as well as many newer artists and genres of music, and the organization will continue to invest in growing this activity stream. In addition to having a niche with electronic dance music, the PNE hosted a number of other shows throughout 2012. These included country star Johnny Reid and metal favourites Iron Maiden. Other concerts included The Weeknd, The Killers, Alexisonfire and Billy Talent. In addition to concerts, the PNE also hosted comedy act Jeff Dunham and The Seed Event, featuring world-renowned speaker Deepak Chopra. Lastly, on May 26th, the Rick Hansen Foundation held a gala concert to commemorate the 25th Anniversary of Rick's Man in Motion World Tour. Performers included Sarah McLachlan, Jann Arden, Johnny Reid, David Foster, The Canadian Tenors and Marianas Trench and presentations from outstanding Canadians including David Suzuki and Rick Hansen.

In total, 70,964 guests attended 17 concerts in the Pacific Coliseum and two concerts in the Forum. Another 12,334 guests attended outdoor shows at the new PNE Amphitheatre. Concert attendance was down 27% over 2011, but up from 2010. This was due to a larger number of shows but a smaller crowd size at each show. The PNE will remain focused on building new promoter relationships, working closely to meet the needs of current partners, and remaining focused on showcasing newer genres and artists.

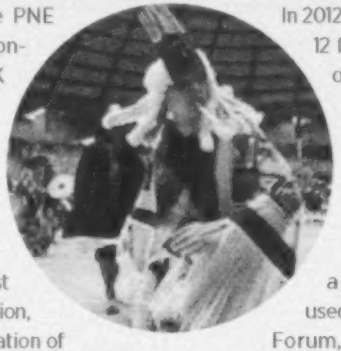
CULTURAL AND FAMILY EVENTS

As a key location for family entertainment, the PNE hosts a dynamic range of cultural and family events throughout the year. 2012 was active, with eight performances in November of Disney on Ice's Dare to Dream show, the Blue Sky Circus show in May, The Great Big Boo family



Halloween show in October and the delightful Magic of Santa stage show in December. Approximately 50,000 guests enjoyed these shows.

On a more cultural note, the PNE hosted the annual Ismaili Festival, which encompassed several venues including the Coliseum, Rollerland and Forum. The PNE was also proud to host PBS on-site as they filmed the NHK documentary in the Forum and Livestock buildings to tell the incredible story of the Japanese internment during World War II. From Jan. 31 through Feb. 2 the PNE hosted the annual Nisga'a First Nations lunar new year celebration, an important traditional celebration of the February Moon (Harvest Moon). Festivities included West Coast traditional dance, music and local artisan crafts and the event welcomed close to 2,000 guests.



TRADE AND CONSUMER SHOWS

Fiscal 2012 saw a continued focus on using available venues to grow tradeshow and consumer show business. Throughout the year, four tradeshows were held on-site. These included the Lordco Auto Parts show and Gordon Food Services show; the Vancouver Gift Expo was held twice. The PNE saw significant growth in the consumer show business. Ten shows were hosted at various facilities on-site, including the Business Expo, Maker Faire, Motorcycle Toy Run, The Seed Event, the Snow Show, Baby and Family Fair, Hopscotch, Women's Show, Pet Expo and Motorcycle Parts Swap. Tradeshow and consumer show business exceeded budget by $150,000 in 2012.

FILM ACTIVITY

On-site film activity varies dramatically from year to year and is dependent on the health of the BC film industry and US exchange rates to determine whether it is cost-effective for film companies to produce shows here in BC. In 2012, various venues were rented by 12 film companies to film a range of projects from feature movies (*A Fairly Odd Christmas*) to TV series such as *Pysch*, *Fringe* and *Falling Skies* to TV commercials for Campbell Soup. In total, 121 days of filming occurred on-site and a wide range of facilities were used such as the Pacific Coliseum, Forum, Livestock Building, Pacific Room, Rollerland, Agrodome, Skate Park, Amphitheatre, outside grounds, Playland, Triple O's and parking lots. While the total number of film days was down for 2012, overall activity was strong and the PNE continues to be seen as a flexible site to choose when projects are available to shoot. The PNE sales team continues to build strong relationships in the film industry to ensure that the organization is well positioned and can capitalize on increased market activity when it occurs.

VENUE TICKETING
THE LAUNCH OF TICKETLEADER

Over the past few years, the PNE has been evaluating a number of reserved seat ticketing systems, with the goal of bringing in a new system to serve as the primary ticketing system for the Pacific Coliseum, Forum and Agrodome events year-round. After much consultation, the PNE decided to replace Ticketmaster in 2012 with a new in-house system controlled by the PNE; effective May 01, all PNE reserved seat events became powered by Paciolan through TicketLeader. This allows the PNE to work with promoters to adjust ticketing service fees and provide potentially less expensive options while increasing the PNE's event-based direct marketing impact. The changeover from Ticketmaster and launch of the TicketLeader brand was a success and although the internal learning curve was steep in year one, the transition was a very positive financial move. The PNE received positive comments from most promoters due to the fact that a large number of local and North American stadium venues are now ticketed through Paciolan and event promoters are familiar with the system capabilities. In fact, promoters appreciate the broader flexibility related to service fees.

YEAR-ROUND EVENTS—HIGHS AND LOWS

What contributed to the weaker-than-anticipated financial performance of the year for year-round events? Positive financial impacts came from implementing the new ticketing system, growth in the consumer shows and success with electronic dance music shows. Negative pressures for the year included Amphitheatre build-out costs and the poor financial performance of the first year of SPF. This is in addition to the impact of uncharacteristically poor weather on Playland and Fright Nights, and lower-than-projected attendance at the Fair. Normally, the mix of these activity streams balances out more evenly than it did in 2012. As a result, the PNE showed an overall annual deficit for the 2012 fiscal year of $1.88 million. We do not expect this to be a trend, and planning for a successful 2013 is well underway.

PARK AND FACILITY MAINTENANCE

In addition to the three revenue generating activity streams (Playland, the Fair and year-round events), the fourth PNE activity stream is park and facility maintenance.

Hastings Park is a 165-acre parcel of land left in trust to the City of Vancouver in 1889. It has always been the home of the PNE. Since the organization's inception in 1910, the PNE has been the sole steward of 115 acres of the park (not including the racetrack). But what does this mean? It means that the PNE and its staff are responsible for the care and upkeep of the landscaped grounds, trees, benches, playground equipment and specialized gardens (Momiji Garden, Italian Gardens and the Sanctuary), as well as all the building facilities on-site. A team of full-time, well-trained gardeners is employed year-round to care for and maintain all the outdoor and park spaces. Careful pruning in the Sanctuary is done throughout the year to improve sightlines while keeping it in its naturally intended state. The Italian and Momiji gardens are cared for by specially trained horticultural teams in consultation with the City of Vancouver, the Vancouver Park Board and the Vancouver Japanese Garden Association throughout the year. Specially trained carpenters, electricians, labourers and painters also work year-round to maintain and improve the buildings on-site. This includes facilities such as the Pacific Coliseum, Agrodome, Forum, Livestock Barns, Administration and technical services buildings, Garden Auditorium, Rollerland and Playland.

Park maintenance efforts specific to 2012 included the removal of shrubs and the addition of grass on the north island of the PNE Amphitheatre and on the island between the Amphitheatre and Spirit Plaza. Weeds and shrubs on the south slope of the Amphitheatre were removed and replaced with meadow greens. In the Agrodome area, the south beds were restored and perennials, grasses and shrubs were planted. Additional perennials and grasses were planted in the circular space between the Forum and Administration buildings. Efforts to add green planted elements to Playland continued.

In addition, energy-efficient investments were made in the Coliseum, Forum, Hastings Room, Playland Administration building and Rollerland. These efforts will be discussed in more detail in the section on sustainability. Overall, year-round care of these areas is a regularly budgeted operational expense and in 2012, $4.09 million was budgeted and invested in park and facility maintenance ($3 million in non-event-related park maintenance and $1.09 million in event-related maintenance).

Commitment to Sustainability

The PNE continues to strive to improve its performance and to achieve sustainability in all areas of its business. Currently, initiatives are driven through our management-level Sustainability Captain. The Captain works with staff at all levels, researches ideas, and reports directly to the executive on sustainability efforts. In 2012, highlights included:

- Waste diversion rates on-site improved from 43% in 2011 to over 50% in 2012.
- Over 6,000 pounds of pre-consumer waste was collected during the 2012 Fair.
- A new compost collection was added throughout the Giants season and the Playland park season.
- The PNE also worked more closely with BC Hydro to learn about programs and incentives.
- $300,000 was invested in new energy-efficient boilers for heating and hot water use in the Pacific Coliseum.
- New energy-efficient heaters were installed in Rollerland and in the dressing rooms and foyer of the Forum.
- Programmable thermostats were installed in a number of locations to improve efficiency.
- The Playland Administration building was upgraded with an energy-efficient heater and air-conditioning unit.
- Through a grant from Vancity, the PNE was able to hire a consulting team to evaluate current efforts and make recommendations for the most appropriate next steps in the future.

The PNE also remains committed to the following initiatives that are currently in place.

Corporate Initiatives

- The PNE's promotional vehicle, which represents the organization at events throughout the Lower Mainland, is a hybrid.
- Marketing collateral continues to be printed on recycled paper certified by the Forest Stewardship Council, and marketing efforts continue to leverage web, mobile and email marketing initiatives to reduce paper use where possible.
- Human Resources utilizes direct deposit and epost for payroll, and most recruiting is done online, rather than on paper.
- Old uniforms are donated to charitable organizations or are reused internally.
- Suppliers are encouraged to provide environmentally preferred green, recycled and energy-efficient products wherever possible.
- Throughout the organization, staff continue to recycle paper, bottles, cans, plastics and discarded computer parts. Staff are encouraged to use reusable office supplies, have paper-free meetings, print only two-sided, turn off computers at night and use low-energy Energy Star lighting in offices.
- The PNE continues to learn and be an active participant in the Green Sports Alliance.
- The organization continues to utilize more natural elements in landscaping and theming throughout the site.

Event Management Initiatives

- Beer cup recycling programs remain in place at the Pacific Coliseum and for all events.
- The Green Scene display at the Fair was expanded to highlight initiatives from both the PNE and its partners, including displays on urban sustainable living, biking, residential gardening and Vancity's support of local agriculture. A new Ag in the City display was also introduced to promote local and sustainable agriculture practices to guests.
- Retail ticketing programs use a recyclable styrene paper product for gift cards, rather than PVC plastic.
- A blue bag recycling program for concessionaires and exhibitors is in place during the Fair to encourage recycling of bottles, cans, plastics and cardboard. The PNE provides the bags, as well as the collection service for all exhibitors.
- The food and beverage department uses environmentally friendly cleaning products and continues to upgrade to low-energy fixtures and energy-efficient appliances.
- In event marketing materials, the PNE regularly promotes the use of public transportation to get to and from the PNE site, and works with TransLink to increase levels of public transportation to the site during high-volume events such as the annual summer Fair.
- The PNE Prize Home showcases a range of energy-efficient, sustainable features such as natural gas appliances, energy-efficient windows, geothermal heating, in-floor radiant and forced air heating, and air conditioning, as well as solar thermal panels. These features change from year to year.
- During events, agricultural event dirt is reused, shavings are purchased in bulk and manure is composted.
- Plans are underway to further improve exhibitors' sustainability performance on-site in upcoming years, including limiting the types of materials that can be used on-site and requiring that all pre-consumer waste be composted.

Facilities Initiatives

The technical services department remains focused on ensuring that facilities throughout the grounds continue to receive sustainable and energy-efficient upgrades:

- Waste audits are conducted annually.
- Low-flush toilets and urinals as well as low-water-use faucets and high-efficiency lighting have been installed in all major buildings on-site.
- The Agrodome now has high-efficiency lighting in the main arena and plaza.
- Our technical services department remains committed to the proper disposal and recycling of batteries, motor oil and containers, hydraulic oils, antifreeze, oil filters, containers and absorbents, aerosol cans, paint, wood, glass, vehicle tires, drywall, concrete and blacktop, steel, aluminum and copper.
- Lights throughout the site have been replaced with high-efficiency fixtures.
- Leaves, grass clippings and tree trimmings are recycled for composting.
- The technical services team uses electric, propane or natural gas vehicles where possible (Zoom Booms, scissor lifts, scrubbers, Zambonis, forklifts, electric ice edgers, electric golf carts, etc.), and remains committed to exploring the conversion of other fleet vehicles.

The PNE is actively working to improve its environmental footprint. In addition to working with Vancity and a team of external contractors on next steps, the PNE remains proud of its progress and encourages suppliers, partners, sponsors and staff to continue to bring ideas forward. We understand that there is much work yet to be done and we remain committed to making progress in sustainability.

CELEBRATING TEAM AND SUCCESS

Over the PNE's 102 years of history, while almost everything has changed, one thing has remained consistent. It is our people that make this organization so amazing, who make all the great events happen, and who care for and maintain this park and its facilities. Thousands of people continue to work tirelessly each year behind the scenes to build this iconic organization, and their stories are as rich as the history of this great institution. Thank you to everyone who contributes each year to make events and celebrations successful and to keep this site a dynamic social gathering place for our diverse communities.

SNAPSHOT OF THE TEAM

PNE activities throughout 2012 contributed 4,090 jobs, of which 3,665 jobs (89.6%) are in the Vancouver CMA. Each year, those 4,000 staff account for 474 full-time equivalents annually. This includes 1,390 Fair-time employees, 2,514 part-time employees and seasonal staff (including Playland), 186 full-time employees, and a team of approximately 50 full-time management employees. With more than 2,200 PNE staff being under the age of 24 each year, the PNE is proud to be the largest single site employer of youth in BC, and is proud to provide first jobs and the skills required to build a career.

More than 50% of PNE employees live in the City of Vancouver and all non-management staff are unionized in one of four unions: Canadian Union of Public Employees (CUPE) Local 1004, Operating Engineers Local 882, Electrical Workers IUOE Local 213, and International Alliance of Theatrical and Stage Employees (IATSE) Local 118.

STAFF PROGRAMS

The PNE remains committed to providing health and wellness opportunities for staff. Initiatives include a staff-run social club as well as a company-funded health and wellness committee. Program types vary from year to year depending on staff feedback, but include year-round access to an on-site fitness centre and access to weekly Zumba, yoga and Pilates classes. These programs are made available either free or at a reduced rate for employees. The PNE provides its full-time employees with an Employee and Family Assistance Program (EFAP), which includes individual counselling services as well as crisis and emergency support.

Staff recognition also remains a cornerstone of PNE incentive programs. The Spotlight Program continued for all PNE employees—both bargaining unit and excluded—which allows managers to recognize employees on the spot with a token for their hard work (with, for example, a Starbucks card or movie passes). We also continued a program for seasonal and Fair-time team members called Impress Our Guests. This program, based on the PNE's mission and values, allows managers to recognize behaviours that enhance the guest experience both on the front line and behind the scenes. Winners are drawn weekly during Playland season and daily during the Fair. Recognized staff are awarded with an array of $50 gift card options.

The PNE Scholarship Program is an employee recognition program intended to identify and celebrate PNE team members who excel in performance, provide exceptional service to guests and peers, are in good academic standing and are pursuing post-secondary academics. PNE employees and children of PNE employees are eligible to apply for the PNE Scholarship if they meet the eligibility criteria. Four scholarships of $500 are awarded each year.

MORE THAN 50% OF THE EMPLOYEES WHO WORK AT THE PNE LIVE IN THE CITY OF VANCOUVER.

AS ALWAYS, IT IS THROUGH THE HARD WORK OF THE PNE TEAM THAT THE ORGANIZATION CONTINUES TO BE RECOGNIZED ACROSS INDUSTRIES AS A LEADER IN SO MANY ASPECTS OF THE BUSINESS. 2012 WAS NO DIFFERENT, AND THE FOLLOWING IS A SUMMARY OF INDUSTRY AWARDS RECEIVED BY THE PNE DURING THE 2012 AWARD SEASON.

EXTRA AWARDS

Retail Single:
Playland–2012 Falcon
GOLD

Retail Single:
Playland–2012 Pigeon
GOLD

2012 HERMES CREATIVE AWARDS

Radio Spot: 2010 Fair at the PNE
GOLD

Publication: 2010 Annual Report
PLATINUM

Television Spot: 2011 Playland Season
PLATINUM

Publications/Book:
100th Anniversary
Commemorative Book
PLATINUM

2012 IAAPA SOUVENIR AWARDS

BRASS RING AWARDS: LIVE ENTERTAINMENT EXCELLENCE

Best Overall Production
$400,001–$700,000:
Pop City 2012 Fair Show
WINNER

IFEA PINNACLE AWARDS

Television & Radio

Best Radio Promotion:
2012 Playland Radio Spot
"Ciri"
GOLD

MARCOM AWARDS

Television & Radio

Best Radio Promotion–2012 Playland
Radio Spot "Ciri"
GOLD

Publications

Annual Report/Non-Profit: 2011 Annual Report
GOLD

Print Creativity

Design: 2011 Annual Report
PLATINUM

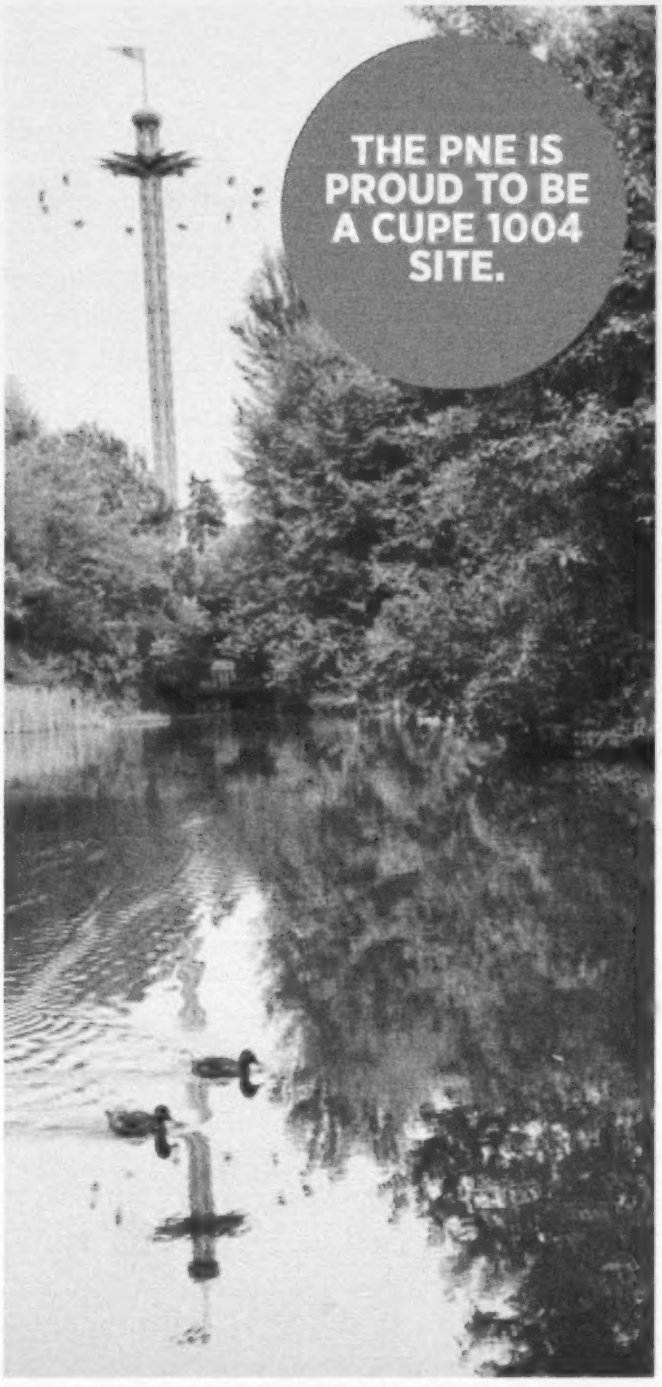
Video/Audio

Television (Broadcast & Cable)
/Single Spot:
2011 Playland TV Spot
PLATINUM

MARKETING AWARDS

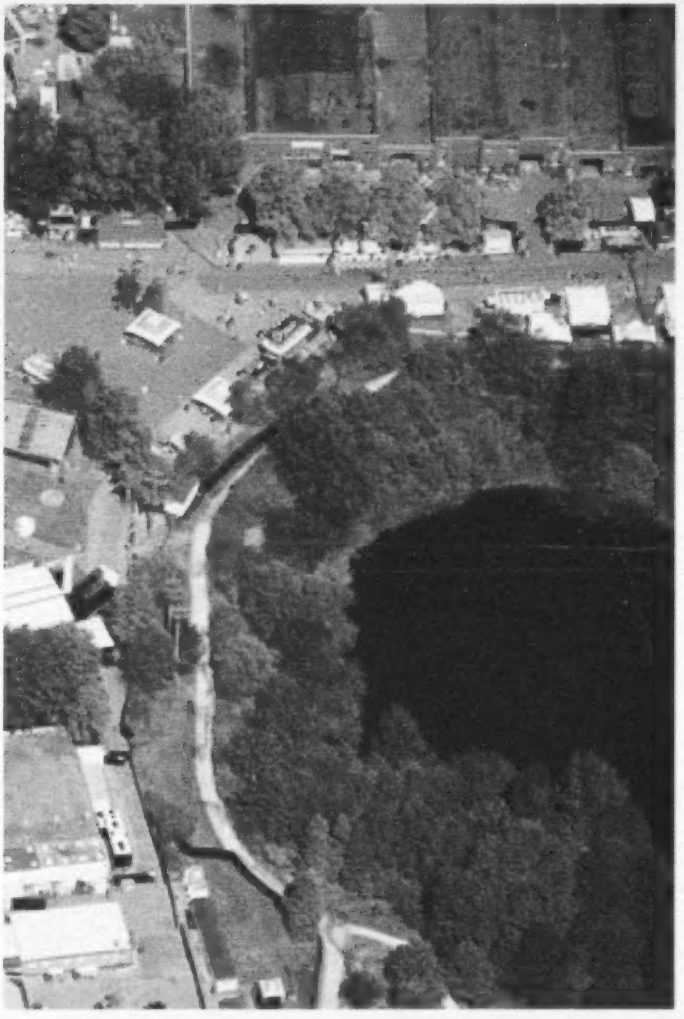
Out-of-Home
Transit Single–Falcon
BRONZE

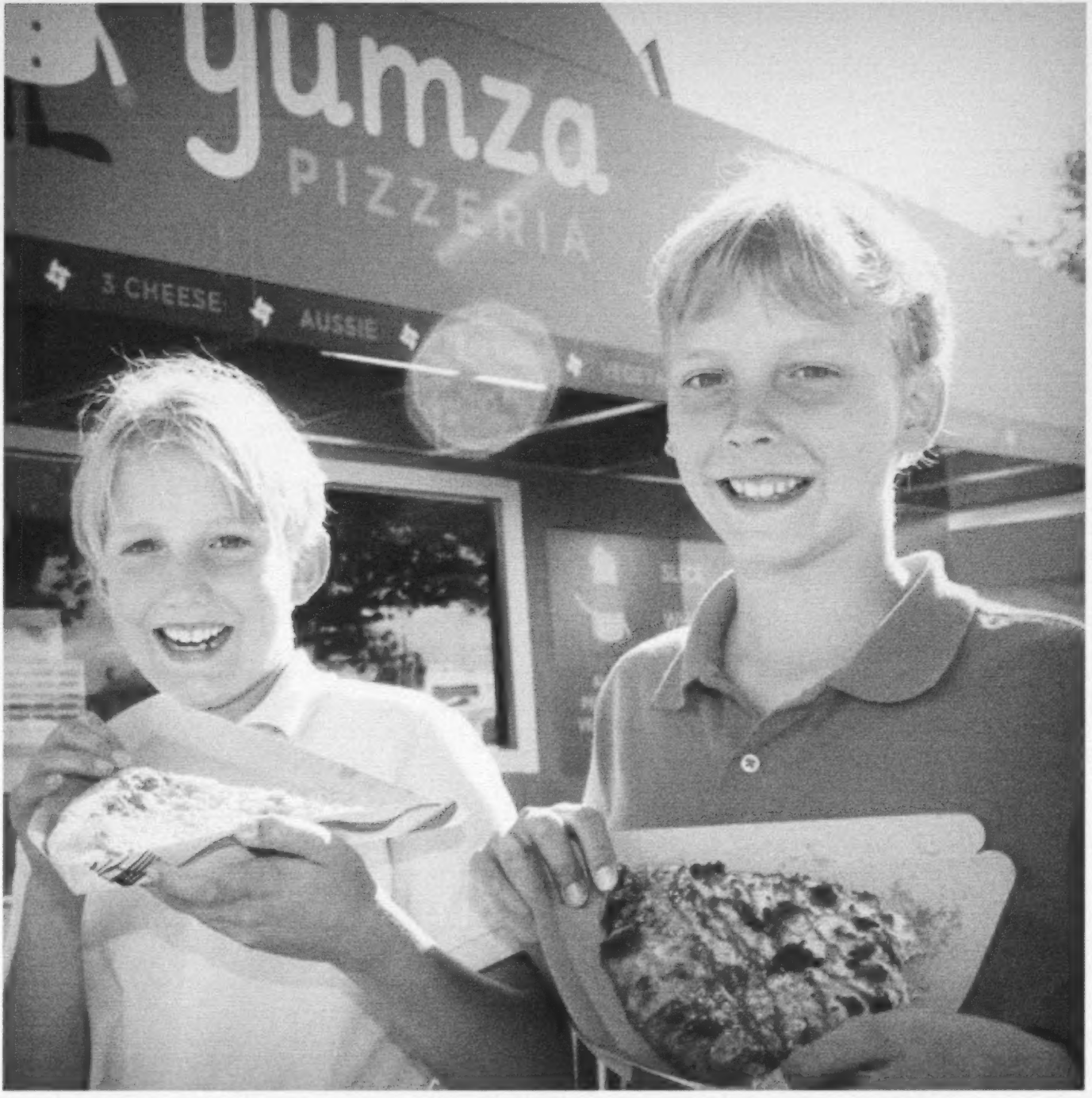
Out-of-Home
Transit Single–Pigeon
BRONZE



LOOKING AHEAD

The PNE remains committed to the redevelopment of Hastings Park as defined in the Master Plan, to working with the local community to minimize impacts, and to providing opportunities to gather and celebrate throughout the year. As we have been for 102 years, we will remain at the heart of Hastings Park, honouring its history and helping to build its future. We welcome you to come and experience and enjoy this unique urban park and its transformation in the years to come.

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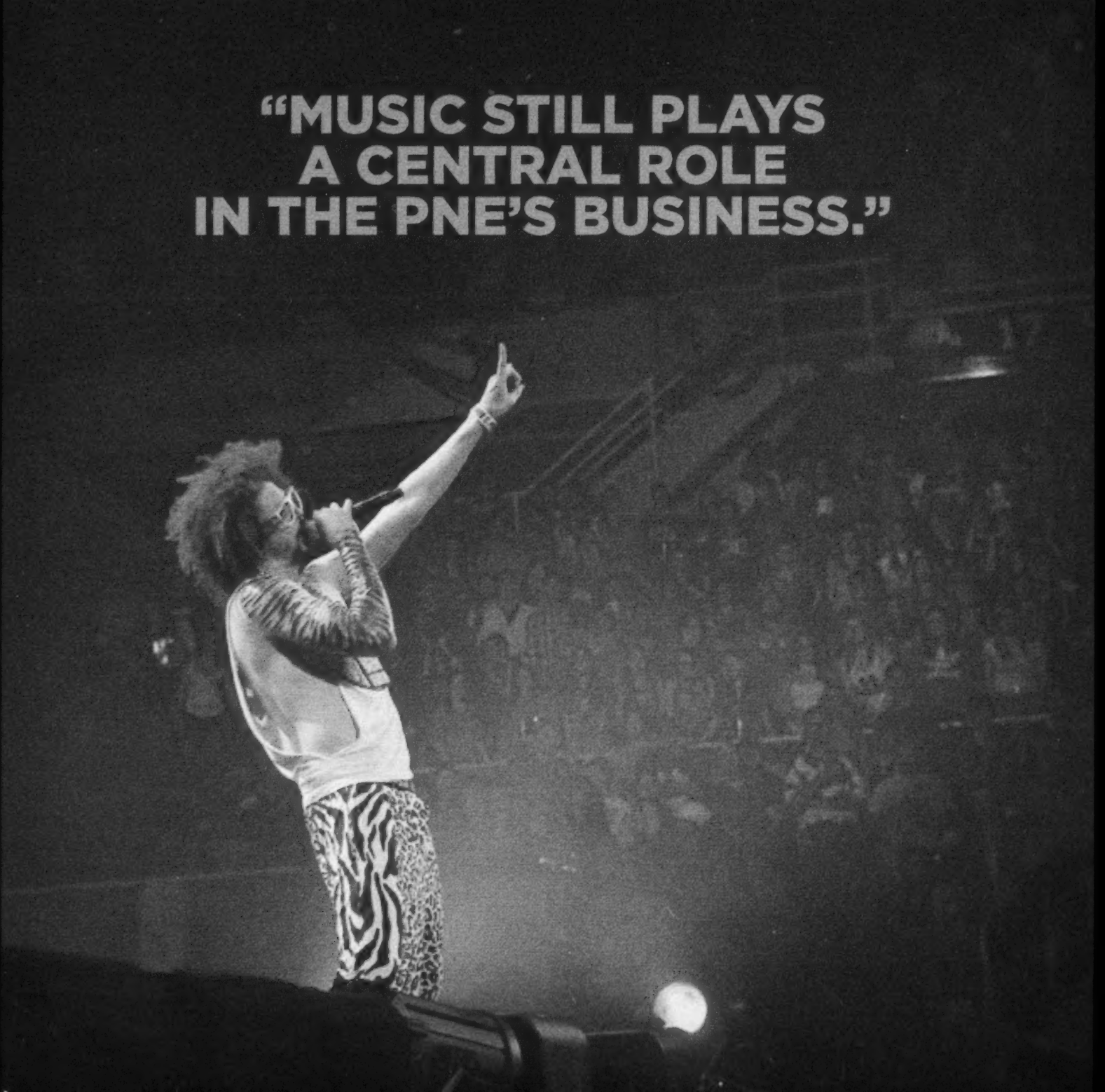
PIZZERIA
3 CHEESE
AUSSIE


"MUSIC STILL PLAYS
A CENTRAL ROLE
IN THE PNE'S BUSINESS."

FINANCIAL REPORTS

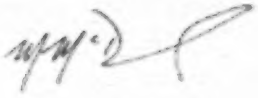
REPORT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

NOTICE OF CHANGE FOR 2012

The *Pacific National Exhibition Act* requires the PNE to table an annual report containing information about the organization's performance. PNE management prepares the following financial statements and related information and is responsible for their integrity. This fiscal year, a change in accounting requirements by the Canadian Institute of Chartered Professional Accountants ("CICPA") to the public sector framework necessitated that the PNE transition from Canadian generally accepted accounting principles ("GAAP") to Canadian public sector accounting standards ("PSAS"). The transition was applied on a retrospective basis, thereby restating the 2011 financials according to PSAS for comparative purposes.

As in all cases, the statements include amounts based on management's estimates and judgments. We believe that these statements fairly represent the PNE's current financial position. Management is also responsible for the accuracy and completeness of the information presented in the PNE's annual report. To fulfill this responsibility, management maintains financial and management control systems and practices that provide reasonable assurance the information is accurate and complete.

PNE officials who have provided the information contained in the 2012 annual report have verified its completeness and accuracy. Our independent auditors, KPMG LLP, have audited the financial statements using Canadian public sector accounting standards to the extent necessary to form an independent opinion on the financial statements prepared by management.



Michael McDaniel
President and Chief Executive Officer

Roger Gil
Vice President, Finance and Corporate Services

2012 BOARD OF DIRECTORS

Chair: Mr. Raymond Louie—Councillor, City of Vancouver

Vice Chair: Mr. Malcolm Bromley—General Manager, Vancouver Park Board

Treasurer: Ms. Patrice Impey — General Manager, Financial Services, City of Vancouver

Directors: Ms. Sarah Blyth—Vancouver Park Board Commissioner
Ms. Cheryl Carline —CEO, Greater Vancouver Food Bank Society
Mr. Sadhu Johnston—Deputy City Manager, City of Vancouver
Mr. Peter Legge—President and CEO, Canada Wide Media Ltd.
Mr. David McLellan—General Manager, Community Services, City of Vancouver
Ms. Brenda Prosken—Acting GM, Community Services, City of Vancouver
Mr. Richard Saunders—Workers' Advocate, Labourers' Membership Services, Construction and Specialized Workers' Union Local 1611
Mr. Paul Sihota—City of Vancouver Fire and Rescue
Ms. Nancy Wright—Vice President, Marketing, GLOBE Foundation

EXECUTIVE MANAGEMENT COMMITTEE

President and Chief Executive Officer:	Mr. Michael McDaniel
Vice President, Operations:	Mr. Jeff Strickland
Vice President, Marketing:	Ms. Shelley Frost
Vice President, Finance and Corporate Services:	Mr. Roger Gil
Vice President, Sales:	Mr. Peter Male
Vice President, Human Resources: (on maternity leave Sept 2012 through March 2013)	Ms. Stacy Shields
Acting Vice President Human Resources: (Sept 2012 through March 2013)	Mr. Jeff Strickland
Executive Assistant and Corporate Secretary:	Ms. Salome Valente

CORPORATE GOVERNANCE PRACTICES

The Pacific National Exhibition is a non-profit registered charity owned by the City of Vancouver. The company's business affairs are the responsibility of the Board of Directors, a City Council-appointed body. The PNE's Board of Directors is committed to ensuring that corporate governance practices are open and effective and that the Board is fully accountable and assumes responsibility for the stewardship of the organization. The Board discharges responsibility of day-to-day operations to the President and Chief Executive Officer, who in turn selects and oversees the rest of the management team. The Board encourages management, under the direction of the President and Chief Executive Officer, to make clear and appropriate executive decisions.

2012 AUDITOR

KPMG LLP, Chartered Accountants
Metrotower II
Suite 2400, 4720 Kingsway
Burnaby, BC Canada V5H 4N2

Telephone: 604-527-3600
Fax: 604-527-3636
Web: www.kpmg.ca

KPMG LLP
Chartered Accountants

Metrotower II, Suite 2400-4720 Kingsway
Burnaby, BC V5H 4N2 Canada

Telephone (604) 527-3600
Fax (604) 527-3636
Internet www.kpmg.ca

To the Board of Directors of the Pacific National Exhibition

Report on the Financial Statements

We have audited the accompanying financial statements of Pacific National Exhibition, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations and accumulated surplus, changes in net debt and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pacific National Exhibition as at March 31, 2013, March 31, 2012 and April 1, 2011, its results of operations and accumulated surplus, its changes in net debt and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the *Pacific National Exhibition Act*, we report that, in our opinion, the accounting principles in the Canadian Public Sector Accounting Standards have been applied on a consistent basis.

KPMG LLP

Chartered Accountants
July 26, 2013
Burnaby, Canada

KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. KPMG Canada provides services to KPMG LLP.

	Ref	March 31, 2013	March 31, 2012	April 1, 2011
FINANCIAL ASSETS				
Cash		$ -	$ -	$ 347,523
Accounts Receivable	(Note 3)	791,646	1,364,145	1,257,075
		791,646	1,364,145	1,604,598
LIABILITIES				
Bank indebtedness	(Note 5)	8,494,549	6,878,295	1,968,281
Bank loan	(Note 5)	3,510,732	3,176,507	10,481,503
Accounts payable and accrued liabilities	(Note 6)	3,146,403	4,387,846	3,048,722
Deferred revenue		1,695,152	910,477	486,253
Obligations under capital lease	(Note 8)	231,525	596,213	959,578
		17,078,361	15,949,338	16,944,337
Net debt		(16,286,715)	(14,585,193)	(15,339,739)
NON-FINANCIAL ASSETS				
Tangible capital assets	(Note 9)	15,097,537	14,964,124	14,850,421
Inventories held for use		577,084	699,663	1,027,458
Prepaid expenses		1,096,953	1,287,883	953,317
		16,771,574	16,951,670	16,831,196
Accumulated surplus	(Note 2)	$ 484,859	$ 2,366,477	$ 1,491,457

Commitments and contingent liabilities (note 11)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director Director

STATEMENTS OF OPERATIONS AND ACCUMULATED SURPLUS YEARS ENDED MARCH 31, 2013 AND 2012

	Budget (Note 1(i))	2013	2012
REVENUE:			
Events	$ 46,636,159	$ 42,601,009	$ 50,139,549
Other	1,040,000	906,235	1,170,281
	47,676,159	43,507,244	51,309,830
EXPENSES (NOTE 12):			
Office of the President	1,689,868	741,943	787,058
Media Relations	197,690	160,633	181,777
Entertainment	3,777,950	4,388,197	3,558,950
Sales	899,047	1,545,260	684,104
Group Sales	189,095	160,816	180,309
Exhibit Space	882,376	994,608	525,386
Finance	4,137,438	3,671,163	5,050,415
Information Service	876,278	1,091,711	978,314
Corporate Service	814,007	736,189	833,667
Marketing	682,958	636,336	690,129
Sponsorship	111,010	139,314	193,028
Advertising	1,883,589	2,152,006	1,924,044
Operations	1,045,063	916,575	1,044,233
Agriculture	793,629	801,985	756,662
Food & Beverage	5,346,129	5,359,386	7,634,979
Guest Services	450,179	418,534	438,820
Tech Services	6,763,210	5,746,803	7,345,931
Lotteries	2,800,906	2,767,052	2,677,576
Public Safety & Parking	2,748,845	2,795,932	3,466,525
Ride	3,428,365	3,206,583	3,578,240
Games	2,481,383	2,349,827	2,414,420
Playland Tech Services	3,560,804	3,456,124	3,873,514
Merchandise	-	68,644	61,625
Human Resources	1,503,120	1,083,241	1,555,106
	47,062,939	45,388,862	50,434,810
Annual surplus (deficit)	613,220	(1,881,618)	875,020
Accumulated surplus, beginning of year	2,366,477	2,366,477	1,491,457
Accumulated surplus, end of year	$ 2,979,697	$ 484,859	$ 2,366,477

See accompanying notes to financial statements.

	Budget (Note 1(i))	2013	2012
Annual surplus (deficit)	$ 613,220	$ (1,881,618)	$ 875,020
Acquisition of tangible capital assets	-	(1,608,518)	(2,328,926)
Proceeds on disposal of tangible capital assets		-	22,400
Amortization of tangible capital assets	-	1,475,106	2,192,225}
Loss on sale of tangible capital assets	-	-	598
	-	(133,412)	(113,703)
Acquisition of inventories held for use	-	(2,295,425)	(3,553,290)
Acquisition of prepaid expense	-	(1,270,734)	(1,622,449)
Consumption of inventories held for use	-	2,418,004	3,881,085
Use of prepaid expense	-	1,461,664	1,287,883
	-	313,509	(6,771)
Decrease (increase) in net debt	613,220	(1,701,521)	754,546
Net debt, beginning of year	(14,585,193)	(14,585,193)	(15,339,739)
Net debt, end of year	$ (13,971,973)	$ (16,286,714)	$ (14,585,193)

See accompanying notes to financial statements.

	2013	2012
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	$ (1,881,618)	$ 875,020
Items not involving cash:		
Amortization of tangible capital assets	1,475,106	2,192,225
Loss on disposal of tangible capital assets	-	598
Change in non-cash operating working capital:		
Decrease in accounts receivable	572,499	107,070
Decrease (increase) in prepaid expenses	190,930	334,565
Decrease in inventories held for use	122,579	327,795
Increase (decrease) in accounts payable and accrued liabilities	(1,241,444)	1,304,302
Increase (decrease) in deferred revenue	784,675	(424,224)
Net change in cash from operating activities	222,727	4,717,350
Capital activities:		
Cash used to acquire tangible capital assets	(1,608,518)	(2,328,926)
Proceeds on disposal of tangible capital assets	-	22,400
Net change in cash from capital activities	(1,608,518)	(2,306,526)
Financing activities:		
Increase (decrease) in bank loan	334,225	(7,304,996)
Principal payments on tangible capital lease obligations	(364,688)	(363,365)
Net change in cash from financing activities	(30,463)	(7,668,361)
Net change in cash	(1,616,254)	(5,257,537)
Cash, beginning of year	(6,878,295)	(1,620,758)
Cash, end of year	$ (8,494,549)	$ (6,878,295)

Cash is comprised of cash and bank indebtedness.

See accompanying notes to financial statements.

Authority and Purpose and Operations:

Pacific National Exhibition ("PNE") is a premier entertainment destination in the Province of British Columbia. It has four main activity streams: an annual 17-day fair, Playland amusement park, year-round facilities which are utilized to celebrate a variety of community, social, cultural, ethnic and commercial events, and the care and development of the park.

PNE was established in 1910 and incorporated in 1973 under the *Pacific National Exhibition Incorporation Act* of the Province of British Columbia.

The mission of PNE is to enrich the quality of life at Hastings Park, Vancouver, by providing family entertainment that invites its guests to celebrate Vancouver's heritage, culture and diverse communities in a vibrant urban park.

Effective January 1, 2004, PNE became wholly owned by the City of Vancouver and is an independently operated entity. As a result of its ownership and its registered charity status, PNE is not subject to income taxes.

These financial statements have been prepared on the basis that the PNE is a going concern, which assumes that the PNE will continue to realize its assets and discharge its liabilities in the normal course of operations. The PNE experienced an annual deficit of $1,881,618 for the year ended March 31, 2013 (2012 - surplus of $875,020). As at March 31, 2013, the PNE had an accumulated surplus of $484,859 (2012 - $2,366,477) and net debt of $16,286,715 (2012 - $14,585,193). The PNE's ability to continue as a going concern is dependent upon, among other things, achieving profitable operations and the continued support of its lenders and its parent, the City of Vancouver.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of accounting:

On April 1, 2012, the PNE adopted Canadian Public Sector Accounting Standards ("PSAS"). These are the first financial statements prepared in accordance with these public sector accounting standards.

In accordance with the transitional provisions in PSAS, PNE has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying public sector accounting standards.

A summary of transitional adjustments recorded to accumulated surplus and annual surplus is provided in note 2.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Revenue recognition:

Revenues from the annual fair (the "Fair") are recorded as received (admissions) and as earned (exhibitors and advertisers). The Fair runs from late August to early September. Any exhibitor or advertising fees received for next year's Fair are deferred and will not be recognized until earned during the next year's Fair.

Revenues from Playland amusement park are recognized as received (admissions) and as earned (advertisers).

Revenues from short-term event rental of facilities are recorded upon completion of the event. Sales of goods and services are reported as revenue at the time the services are provided or the products are delivered, and collection is reasonably assured.

Contributions from the City of Vancouver, from senior government, or from other donors are recorded as receivable if the amount can be reasonably estimated and collection is reasonably assured. Contributions with a designated purpose are deferred until used for the intended purpose. Government transfers are recognized as revenue in the period that the transfer is authorized by the transferring government, and eligibility criteria, if any, have been met by PNE, except when and to the extent that the transfer gives rise to a liability and is recognized as revenue when and in proportion to how the liability is settled.

(c) Deferred revenue:

Advertising revenue for long-term contracts is recognized on a straight-line basis over the term of the related contract. Deferred revenue also comprises deposits for events that are not recognized in revenue until the related event is held.

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest is not capitalized whenever external debt is issued to finance the construction of tangible capital assets. The cost, less residual value, of the tangible capital assets, are amortized on a straight-line basis over their estimated useful lives shown below.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(d) Non-financial assets (continued):

(i) Tangible capital assets (continued):

Asset	Basis	Rate
Machinery, furniture and equipment	Declining balance	10 - 30%
Playland rides and equipment	Straight-line	15 - 40 years
Playland rides under capital lease	Straight-line	15 - 40 years
Leasehold improvement	Declining balance	10 - 15%

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to PNE's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

(ii) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(iii) Inventories held for use:

Inventories held for use are recorded at the lower of cost and replacement cost.

Inventories are consisted of stores, plush toys, merchandise, and food and beverages. Cost is determined using the weighted average method. Cost of inventories includes acquisition and all costs incurred to deliver inventory to PNE's head office, including freight, non-refundable taxes, duties, and other landing costs.

Replacement cost is the estimated current price to replace the items.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

Unrealized changes in fair value are not recognized until they are realized, when they are recorded in the statement of operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(e) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

(f) Employee future benefits:

The PNE and its employees make contributions to Municipal Pension Plan (the "Plan") which is a multi-employer joint trusteed plan. This plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the plan are not segregated by entity, the plan is accounted for as a defined contribution plan and any contributions of PNE to the plan are expensed as incurred.

(g) Use of estimates:

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to useful life of tangible capital assets, valuation of accounts receivable, valuation of inventory and provision for contingencies. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(h) Foreign currency:

- Foreign currency transactions are recorded at the exchange rate at the time of the transaction.
- Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of operations.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(i) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Corporate Plan for 2012/2013 approved by the Board of Directors of PNE on February 21, 2012. The budget is reflected in the Statement of Operations and Accumulated Surplus.

2. ADOPTION OF NEW FINANCIAL REPORTING FRAMEWORK:

Effective April 1, 2012, PNE adopted Canadian public sector accounting standards as described in note 1. These financial statements are the first financial statements for PNE has applied this financial reporting framework.

The impact of the adoption to this financial reporting framework on accumulated surplus at the date of transition and the comparative annual surplus is presented below. These accounting changes have been applied retroactively with restatement of prior periods.

The PNE has not elected to use any exemptions allowed upon first-time adoption.

There was one adjustment on PNE's financial statements resulting from the adoption of these accounting standards relating to the accounting of capital contributions. PSAS requires that government transfers, which contain a stipulation that creates a liability, be recognized as revenue by the recipient in the period in which the stipulation has been met. Certain contributions were previously recorded by PNE as deferred capital contributions and were being amortized over the life of the capital assets. As the stipulation for the use of contribution was met upon purchase of the capital asset in prior years, revenue would have been recognized in full in prior years.

The impact of the transition adjustment described above is as follows:

ACCUMULATED SURPLUS:

	April 1, 2011
Accumulated surplus as previously reported	$ 813,448
Deferred capital contributions	678,009
Accumulated surplus	$ 1,491,457

ANNUAL SURPLUS FOR 2012:

Annual surplus, as previously reported	$ 1,001,422
Deferred capital contributions	(126,402)
Annual surplus	$ 875,020

3. DUE FROM/(TO) GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS:

	March 31, 2013	March 31, 2012	April 1, 2011
City of Vancouver	$ 164,500	$ 256,559	$ 76,196
Sales tax rebates receivable	117,384	155,651	137,541
	$ 281,884	$ 412,210	$ 213,737

4. FINANCIAL INSTRUMENTS:

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties. PNE uses the following method and assumptions to estimate the fair value of each class of financial instruments:

(i) Cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities – the carrying amounts approximate fair value due to the short term nature of these instruments.

(ii) Foreign currency hedge instrument – measured at current market price.

5. BANK INDEBTEDNESS AND BANK LOANS:

PNE has a revolving facility with a Canadian chartered bank providing for maximum borrowing of $16.4 million in operating credit and $5 million for instalment loan for capital purchases. The facilities bear interest at the bank prime rate and are due on demand. A general security agreement covering all assets and undertakings of PNE has been provided as collateral for the operating line as well as a guarantee and postponement of claim by the City of Vancouver. In addition, the guarantee by the City of Vancouver includes letters of guarantee outstanding totaling $160,000 (2011 - $60,000). Included in the bank loans is an amount of nil denominated in US dollars (2011 - $1,270,000). The interest due on this loan is payable in US dollars.

The bank loan is measured at amortized cost.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	March 31, 2013	March 31, 2012	April 1, 2011
Accounts payables and accrued liabilities	$ 2,225,841	$ 2,991,102	$ 1,900,245
Salaries and benefits payable	576,392	861,612	696,084
Accrued vacation pay	268,880	367,656	325,367
Other	75,290	167,476	127,026
	$ 3,146,403	$ 4,387,846	$ 3,048,722

7. EMPLOYEE FUTURE BENEFITS:

Pension benefits:

PNE and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusteed pension plan. The Plan's Board of Trustees for these plans, representing plan members and employers, is responsible for the management of the Plan, including investment of the assets and administration of benefits. The Plan is a defined benefit multi-employer contributory pension plan. The Plan has approximately 176,000 active members and approximately 63,000 retired members. Active members include approximately 35,000 contributors from local governments.

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2009 indicated a $1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the plan as the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan. PNE's employer contributions to the plans amounted to $803,908 in 2013 (2012 - $811,639).

8. OBLIGATIONS UNDER CAPITAL LEASE:

The future minimum lease payments under capital leases are as follows:

Repayments are due as follows:

2014	$	211,721
2015		23,470
Total minimum lease payments		235,191
Less amounts representing interest		3,666
Present value of net minimum capital lease payments	$	231,525

Total interest on leases for the year was $3,491.

9. TANGIBLE CAPITAL ASSETS:

Cost	Balance at March 31, 2012	Additions	Disposals	Balance at March 31, 2013
Machinery, furniture and equipment	$ 13,615,209	$ 1,408,065	$ -	$ 15,023,274
Playland rides and equipment	16,421,851	185,100	-	16,606,951
Playland rides under capital leases	1,246,191	-	-	1,246,191
Assets under construction	700,366	15,353	-	715,719
Total	$ 31,983,617	$ 1,608,518	$ -	$ 33,592,135

Accumulated amortization	Balance at March 31, 2012	Disposals	Amortization expense	Balance at March 31, 2013
Machinery, furniture and equipment	$ 7,608,155	$ -	$ 882,310	$ 8,490,465
Playland rides and equipment	9,230,852	-	547,425	9,778,277
Playland rides under capital leases	180,486	-	45,371	225,857
Assets under construction	-	-	-	-
Total	$ 17,019,493	$ -	$ 1,475,106	$ 18,494,599

	Net book value March 31, 2012	Net book value March 31, 2013
Machinery, furniture and equipment	$ 6,007,054	$ 6,532,809
Playland rides and equipment	7,190,999	6,828,674
Playland rides under capital leases	1,065,705	1,020,334
Assets under construction	700,366	714,249
Total	$ 14,964,124	$ 15,097,536

9. TANGIBLE CAPITAL ASSETS (CONTINUED):

Cost	Balance at March 31, 2011	Additions	Disposals	Balance at March 31, 2012
Machinery, furniture and equipment	$ 13,043,013	$ 603,392	$ 31,196	$ 13,615,209
Playland rides and equipment	13,997,676	2,424,175	-	16,421,851
Playland rides under capital leases	1,246,191	-	-	1,246,191
Assets under construction	1,399,007	(698,641)	-	700,366
Total	$ 29,685,887	$ 2,328,926	$ 31,196	$ 31,983,617

Accumulated amortization	Balance at April 1, 2011	Disposals	Amortization expense	Balance at March 31, 2012
Machinery, furniture and equipment	$ 6,893,439	$ 8,198	$ 722,914	$ 7,608,155
Playland rides and equipment	7,802,234	-	1,428,618	9,230,852
Playland rides under capital leases	139,793	-	40,693	180,486
Assets under construction	-	-	-	-
Total	$ 14,835,466	$ 8,198	$ 2,192,225	$ 17,019,493

	Net book value April 1, 2011			Net book value March 31, 2012
Machinery, furniture and equipment	$ 6,149,574	$ -	$ -	$ 6,007,054
Playland rides and equipment	6,195,442	-	-	7,190,999
Playland rides under capital leases	1,106,398	-	-	1,065,705
Assets under construction	1,399,007			700,366
Total	$ 14,850,421			14,964,124

(a) Work in progress:

Work in progress having a value of $714,239 (March 31, 2012 - $700,366; April 1, 2011 - $1,399,007) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Writedown of tangible capital assets:

There are no writedown of tangible capital assets in the current year (2012 - nil).

10. FINANCIAL RISK MANAGEMENT:

PNE has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and foreign exchange risk.

The Board of Directors ensures that PNE has identified its major risks and ensures that management monitors and controls them.

(a) Credit risk:

Credit risk is the risk of financial loss to PNE if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by PNE consisting of amounts receivable.

It is management's opinion that PNE is not exposed to significant credit risk arising from its amounts receivable.

(b) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect PNE's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

It is management's opinion that PNE is not exposed to significant market or interest rate risk arising from its financial instruments.

(c) Liquidity risk:

Liquidity risk is the risk that PNE will not be able to meet its financial obligations as they become due.

PNE manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to PNE's reputation.

(d) Foreign exchange risk:

Foreign exchange risk is the risk to PNE's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of those rates. PNE may use foreign currency swaps to mitigate this risk.

11. COMMITMENTS AND CONTINGENT LIABILITIES:

PNE may, from time to lime, be involved in legal proceedings, claims, and litigation that arise in the normal course of business, in the event that any such claims or litigation are resolved against PNE, such outcomes or resolutions could have a material effect on the business, financial condition, or results of operations of PNE. At March 31, 2013, there are no outstanding claims.

(a) PNE has not entered into any construction agreements as at March 31, 2013 (March 31, 2012 - $203,000).

(b) PNE has not entered into any agreement for the purchase of new rides (2012 - $148,272).

12. EXPENSES BY OBJECT:

The following is a summary of expenses by object:

	2013	2012
Cost of goods sold	$ 2,418,004	$ 3,881,085
General and administrative	19,899,859	21,249,350
Payroll	21,254,517	22,754,788
Amortization	1,483,303	2,192,225
Interest-bank loans	201,756	191,023
Interest-capital leases	131,423	166,339
	$ 45,388,862	$ 50,434,810

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